

# FINANCIAL TIMES

Start the week with...

The Bull Market Nothing lasts forever Tony Jackson, Page 20

Management Top 50 books of all time Page 14

Today's Survey Valencia Survey, pages 9-12

World Business Newspaper http://www.ft.com

MONDAY DECEMBER 9 1996

## US row with EU mars world trade technology talks

World Trade Organisation efforts to reach a deal on free trade in information technology products are at risk after the European Union insisted on linking any IT package to other trade issues. Europe's stance was strongly criticised by the US. The proposed accord, aimed at scrapping tariffs on most IT products by 2000, was billed as the highlight of the WTO meeting. Page 22; Search for common ground, Page 6

## Club Mediterranée's prospects of being taken over rise sharply from today after last week's dismantling of a shareholder pact which controlled more than 35 per cent of voting rights in the French leisure group. Page 23

German employers spur deal Germany's engineering employers voted not to back a regional wage deal agreed with IG Metall, the country's biggest union. The move raises the risk of nationwide strikes next year. Page 2

Major rejects 'phoney' truce: UK prime minister John Major said he would not accept a "phoney ceasefire" from the Irish Republican Army, which opposes British rule in Northern Ireland. His statement came on the eve of talks seen as a last attempt to revive the faltering Northern Ireland peace initiative. Page 23

Airliner crash-lands in London: A KLM Royal Dutch Airlines Fokker aircraft slewed off the runway at London's Heathrow airport after its undercarriage collapsed on landing. Four crew and 41 passengers were safely evacuated. Many flights were delayed after the incident.

BA-American Airlines: British Airways and American Airlines would be allowed to sell the airport take-off and landing slots they must surrender as a condition of their planned global alliance, the UK department of trade and industry indicated. A slot sale could generate at least £165m (£275.5m). Page 23

Two held for shooting soccer fans: Two Austrian men were arrested on suspicion of shooting at a group of Manchester United soccer fans, wounding two of them.

Tunnel service resumes: The Le Shuttle car service through the Channel Tunnel will reopen tomorrow - but only to drivers booking in advance. The service will be hourly instead of four an hour before the fire three weeks ago. Page 8; Eurostar back on track, Page 18

Greece faces shortages: Greek farmers, campaigning for more government aid, strengthened an 11-day blockade that has hit road and rail links. Industries complained of fuel shortages and merchants warned they might be unable to pay salaries.

Russia may buy Iraqi oil: Russian companies are negotiating to buy Iraqi crude under the UN oil-for-food plan under which Iraq oil will soon return to the market. UN secretary-general Boutros Boutros-Ghali is set to approve the Iraqi oil-for-food plan today.

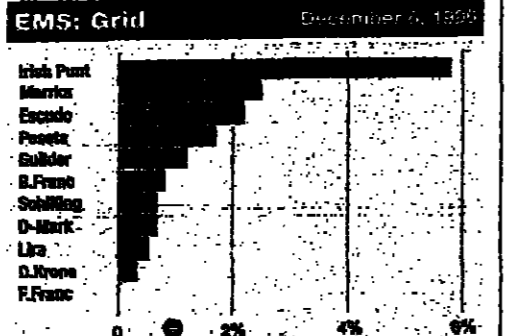
Violence in South Africa: At least 35 people were killed in faction fighting at a squatter camp next to a platinum mine near Rustenburg in South Africa's North West province.

Ancient grave site found: Archaeologists have discovered a burial site in Egypt's Nile delta which was used in Pharaonic and Graeco-Roman times, according to an Egyptian press report. They have found jewels, gold foil, sarcophagi and clay pots 15m below ground.

European monetary systems: The Italian lira, in its second week back in the European exchange rate mechanism, dropped three places in the EMS grid. The Finnish Markka took second place from the second, while the Austrian Schilling rose two places. Currencies, Page 31

China trade troubles: Beijing is delaying retaliatory suspension of imports of some US textiles, farm goods and alcoholic drinks by a month in view of further talks between the two sides. It also said \$100m of exports and thousands of jobs were at risk in a dispute with the European Union. Page 6

Rangoon campuses sealed off: Burmese soldiers and police sealed off Rangoon's two main universities after the most violent clashes in the capital since a crackdown killed thousands in 1988. Page 7



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: The FT web site provides online news, comment and analysis at http://www.ft.com

Table with columns for Country, Currency, and Exchange Rate. Includes entries for Australia, Bahrain, Belgium, Canada, etc.

## Juppé says defence and consumer divisions could be separated to speed up sell-off

# France may split Thomson for sale

By David Buchan, Andrew Gowers and Quentin Peel in Paris

Thomson, the defence and consumer electronics group that the French government is trying to privatise, may be split in two to ensure a speedy sale of its Thomson-CSF defence division, according to Mr Alain Juppé, prime minister.

In an interview with the Financial Times, Mr Juppé promised a rapid relaunch for the privatisation after the collapse last week of the first attempt to sell Thomson.

And he stressed the "industrial logic" of his proposal for the Lagardère missile group to take Thomson-CSF.

The proposed sale was cancelled last Wednesday after France's independent privatisation commission criticised Lagardère's plan to sell Thomson Multimedia, the consumer electronics division, on to Daewoo of Korea.

The commission complained that neither the government nor Lagardère could legally hold Daewoo to its promises to increase jobs and investment at Multimedia.

In considering a fresh privatisation, Mr Juppé said one possible "hypothesis" was to sell the two halves of Thomson

separately, with privatisation of the heavily indebted Multimedia coming after that of the profitable Thomson-CSF.

"When one wants to privatise a company that has more debts than assets, it is more difficult," he said. "It is the privatisation of Multimedia that poses a problem."

"I think, to the extent that one looks properly at this dossier [Multimedia], that it is clear that it requires a significant recapitalisation of this enterprise, before putting it on the market."

France's shock absorber Page 21; CIC sale Page 26

Asked whether his comments did not prejudice the outcome of a new bidding competition for Thomson, Mr Juppé said: "No, I am only stating an observation."

But his words may discourage the Alcatel telecommunications group, which the government passed over in favour of Lagardère, from bidding for Thomson again - though the government has promised "a new basis" for the sale.

Mr Juppé vigorously denied that cancelling the sale of Multimedia to Daewoo reflected French hostility to foreign or Korean investment.

"It is not because Daewoo is Korean that it has been ruled out, but because the privatisation commission estimated that its commitments were not sufficiently clear," he said.

The government still plans to recapitalise the Thomson SA state holding company.

Thomson SA's shareholders, essentially the French government and state-owned France Télécom, agreed last Friday to increase its capital by FF11bn (\$20m) before May 1997. Of this, FF9.9bn - under the terms of the first privatisation - was destined to prop up Multimedia. This state aid has yet to win approval by the European Commission.

## Euro-rebels warned they could force UK election

### PM stands firm on single currency policy

By George Parker and Robert Peston in London

Mr John Major, UK prime minister, yesterday turned decisively against his Euro-sceptic backbenchers, warning he would not bow to pressure to rule out sterling's membership of a single currency during the next parliament.

In his strongest rebuke yet to his critics on the Conservative benches, the prime minister warned they could force an early election if they continued to destabilise the government.

He said he would always put the national interest before party interest, adding: "If they don't support us, then we may have a general election."

Mr Major, speaking in a BBC interview, was relaxed but defiant as he came down on the side of his pro-European chancellor of the exchequer, Mr Kenneth Clarke, on the question of tactics towards a European single currency.

Tory Euro-sceptics warned the fighting would continue. They plan to hold a series of meetings this week ahead of what promises to be an explosive debate on the single currency on Wednesday.

Sir George Gardiner said "the strife goes on", adding that the prime minister had been "stitched up" by Mr Clarke and Mr Michael Heseltine, deputy prime minister. Mr Terry Dicks, who has threatened to resign the whip



John Major before yesterday's interview on television

over Europe, said he felt "insulted" by Mr Major.

Mr John Redwood, who lost to Mr Major in the Tory leadership contest in 1995, said: "Of course we are going to stay in the talks - the issue is when are we going to say the whole thing is based on a fudge and is not going to work."

Mr Major insisted he would stay in negotiations over the single currency, comparing the talks to a "poker game" in which he needed to keep his hand hidden. He said that if Britain was to have a strong

voice at the table, it needed to retain the option to take part in the first stage of the euro, scheduled for 1999.

He insisted that Britain's national interest was at stake if other European Union countries pressed ahead with a flawed currency. He said currency speculators could switch to stronger European currencies, like sterling or the Swiss Franc, wreaking havoc with those economies.

He dismissed calls from some Tory backbenchers to dismiss Mr Clarke. "He is a very fine chancellor, and he is delivering the best economic figures for a very long time."

Mr Major also delivered what was, in effect, a rebuff to several cabinet colleagues, led by the home secretary, Mr Michael Howard, and including Mr Peter Lilley, social security secretary, and Mrs Gillian Shephard, education secretary, who had been pressing him to signal that sterling's membership was unlikely by pointing out that several countries were "fudging" the financial criteria of joining the currency.

Mr Major told Tory Euro-sceptics they had to choose between him and Mr Tony Blair, opposition Labour leader, over who was best placed to defend Britain's interests at the June EU summit in Amsterdam.

Lex, Page 22

## Liquidators to BCCI set to make \$1.35bn payout

By Jim Kelly in London

Liquidators to the failed Bank of Credit and Commerce International are tomorrow expected to pay \$1.35bn to more than 25,000 of the bank's creditors, five years after its spectacular collapse.

The payment represents 24.5 per cent of creditors' losses and will be welcomed by long-suffering victims of the collapse in 1981, which was the result of the biggest banking fraud in history.

Liquidators based in London said the final dividend, expected to be between 30 and 40 per cent, could in fact be "better". This was a surprisingly optimistic signal from normally cautious forecasters.

Several factors have improved the financial prospects for the bank's 100,000 creditors. It is understood that more than \$1bn worth of potential claims have not been made. Many accounts have remained untouched, supporting speculation that some were used to launder money.

Payouts in excess of \$245,000

will be wired to creditors tomorrow. The biggest will be \$76m to the UK's Depositor Protection Board, which has already compensated 17,000 creditors directly. The rest of the money will be paid in cheques by post - the smallest being \$25 - sent to creditors in more than 130 countries.

"This is possibly the biggest insolvency payout in history," said Mr Steve Ackers, one of the liquidators, with accountants Deloitte & Touche in London.

Liquidators were originally expecting to face claims of \$10.5bn. They now expect the final figure to be nearer \$9bn because many of the claims, which they are still processing, may be rejected as spurious.

Other claims will not be met because claimants have settled for payment outside the "pool" agreement created by the liquidators.

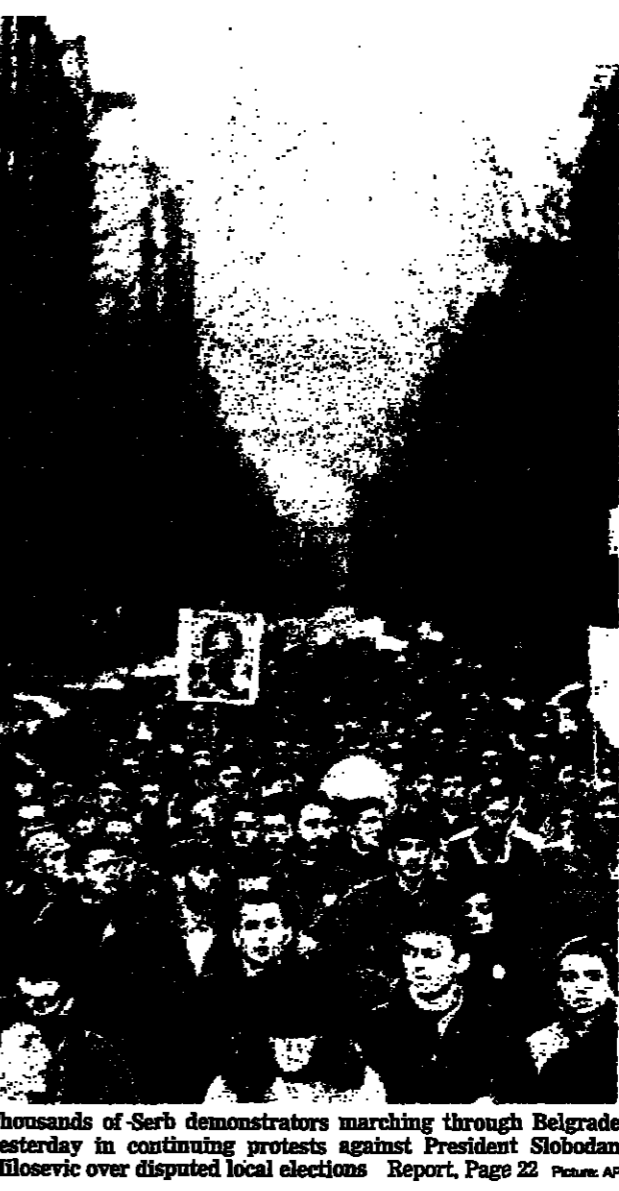
Other groups of creditors, in Bahrain, Japan, Cyprus, Germany and China, have yet to decide if they will take part in the pool. The liquidators have recently received two large

recoveries of BCCI assets. The US authorities have released \$65m of forfeit assets in a discretionary payment which brings to \$570m the total payments so far. Further repayments are expected. Creditors in the United Arab Emirates have also joined the pool arrangement, bringing assets of \$100m.

The liquidators are also pursuing a series of legal actions on behalf of creditors - including those against the bank's auditors at accountants Price Waterhouse, and regulators such as the Bank of England.

If the final dividend does significantly exceed 40 per cent it will help offset criticism of the liquidators by creditors who have complained about delays in paying a dividend and what they see as excessive accountants' fees.

"There was petty cash in the tills when we walked through the doors," said Mr Ackers. It is understood that liquid assets were around \$40m after the bank's collapse. Gross recoveries to date are understood to be around \$4bn.



Thousands of Serb demonstrators marching through Belgrade yesterday in continuing protests against President Slobodan Milosevic over disputed local elections. Report, Page 22. Picture: AP

## US stocks due for nervous start today

By Lisa Bransten in New York

US financial markets are expected to open today with some volatility left over from a share price scare on Friday, but analysts do not see that nervousness as a precursor to a more serious fall. European markets are likely to follow this US lead, because it was concern about high US share and bond prices that started the worldwide slide last week.

Late on Friday the US markets staged a sharp rebound after Europe had closed and shares managed to regain almost two-thirds of the 145 points that the Dow Jones Industrial Average fell on Friday morning.

Europe and Japan will get their first chance to react to the late US recovery today. Analysts were relaxed about today's trading prospects.

Market falls around the world followed remarks by Mr Alan Greenspan, chairman of the US Federal Reserve, in a speech on Thursday evening

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Some wind left, Page 23  
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NEWS: EUROPE

Chirac hopes to pave way for EU summit compromise on Emu penalties

Appeal to Kohl on stability pact

By David Buchan, Quentin Peel and Andrew Gowers in Paris

The French government wants a deal this week with Germany over the "stability pact" for the planned eurozone, because it fears deadlock over the German proposal could sour relations inside the European Union.

President Jacques Chirac will raise the issue with Chancellor Helmut Kohl at today's Franco-German summit in Nuremberg.

Officials in Paris hope this will pave the way at Friday's European Union summit in Dublin for Germany to compromise on its proposal for strict financial penalties against any member of the future monetary union breaking budget guidelines.

If the disagreement pitting Germany against most of its EU partners, including France, is not settled by the end of this week, French officials warn tension within the EU could increase, with both sides in the controversy hardening their position.

In an interview with the Financial Times, Mr Alain Juppé, the French prime



Jacques Chirac (left) and Helmut Kohl: joint letter expected to boost EU treaty negotiations

minister who flies to Nuremberg with Mr Chirac today, acknowledged: "Some Germans fear that the euro will be less good than the D-Mark, so they desire safeguards everywhere." But he said: "I think this [fear] should be settled through confidence-building measures, and not over-right mechanisms."

Arguing more broadly for Europe's politicians to have some guiding influence over the future European Central Bank (ECB), Mr Juppé said: "The basis of the French position is that we don't want all decisions on economic, budgetary, fiscal and monetary policy to be shaped by a technocratic, automatic system under the sole authority of the ECB. France wants governments to influence the running of the euro-zone."

French officials detect competition between the German finance ministry and the Bundesbank to outdo each other, and evidently hope Mr Kohl will see France's point and will rein in these financial disciplinarians. The officials express surprise that Germany should make escape from a "stability pact" so hard. Bonn has insisted that only countries with no less than a

2 per cent fall in gross domestic product should escape penalties on their budget deficit over-shoots. France, its officials point out, has never suffered a 2 per cent GDP decline in the past 50 years.

The French and German leaders are also expected today to issue a joint letter, addressed to the Irish presidency of the EU and designed to give an impetus to the intergovernmental conference negotiations on a new EU treaty.

The letter is expected to provide general guidelines on issues such as "reinforced co-operation" in EU foreign policy and internal security. French and German defence ministers are due to issue a paper on their "common concept of defence and security", aimed at defining how Germany's still largely conscript army can work with the fully professional forces that France plans by the turn of the century.

They will also discuss the future of joint armaments programmes such as military spy satellites and helicopters. Juppé interview, Page 21

Concession by France boosts Nato growth

By Bruce Clark, Diplomatic Correspondent

France has made a last-minute concession to the US over next year's diplomatic agenda, but several Franco-American problems remain outstanding as Nato foreign ministers meet tomorrow to chart a course for European security.

The ministers' talks on how fast to enlarge the alliance, and how many sweeteners to offer Russia, will take place in the shadow of a "very serious disagreement" - in the words of Mr Nicholas Burns, the US State Department spokesman - between Paris and Washington about Nato's future structure.

The biggest problem is the status of Nato's southern command, based in Naples, which has always been headed by a US officer. France, backed by Germany, is saying this job should now go to a European, but Washington rules this out.

France, which announced a year ago that it would move closer to Nato's military wing, also differs with Washington over tactics the western bloc should adopt as it expands to the east and tries to reassure Russia.

Following a French concession, however, this week's meeting is expected to agree on July 1997 as the date for a landmark meeting of western leaders to announce names and a swift timetable for enlargement.

Until a few days ago, Paris was saying it was premature to set a date for the summit. By settling on July, the ministers will be virtually locking themselves in to the expansion process, which is expected to incorporate Poland, the Czech republic, Hungary and possibly Slovenia and Romania by April 1999.

Mr William Perry, the US defence secretary, has said he wants Nato to balance its enlargement plan with a

series of promises to Russia, including enhanced consultation procedures and a pledge not to move nuclear weapons eastwards.

"I think Nato can and should make a very direct statement... [that] we have no plans to expand the nuclear base in Nato and no need to expand the nuclear base in Nato," Mr Perry said.

Remaining Franco-US differences cast shadow over tomorrow's alliance talks

German and UK officials have floated a three-tier relationship between Nato and Russia, with procedures for exchanging information, consultation on a "16 plus 1" basis and joint decision-making over issues such as peacekeeping.

However, the latest signs are that tomorrow's meeting will hold off from spelling out these proposals in detail to avoid giving Moscow concessions that it can "pocket" at the outset of an elaborate negotiation process.

The US will be pressing its proposal for an "Atlantic partnership council" that would bring together Nato and all the east European nations that co-operate with the western alliance. But French officials fear this could undermine the EU's emerging security policy.

A further threat to plans for an enlarged, Europeanised Nato - laid out in Berlin six months ago - is posed by Greek-Turkish differences.

Turkey has threatened to veto the use of Nato equipment for European-only military missions because Greece is blocking Ankara's desire for a closer relationship with the Western European Union.

Germans in bid to boost car security

By Christopher Robinson in Warsaw

German car manufacturers are collaborating to develop vehicle security devices to combat the rise in car theft which followed the fall of the iron curtain in 1989.

An industry group is working on electronic devices for cars that would enable frontier officials to tell if a vehicle had been stolen, a UN conference on stolen cars was told last week.

Last year 1m cars were stolen in western Europe, many of them temporarily by "joyriders", suggesting the overall recovery rate was as high as 80 per cent.

However, the former Soviet bloc continues to take stolen cars from Europe as well as the US. The US estimates up to 300,000 cars of the 1.5m stolen annually in the US are exported - many of them to Russia, the Ukraine and the Baltic region. The US Justice department reports annual losses due to car theft amounting to \$7bn.

The German car manufacturers' association (VDA) already has a device which sends a satellite signal to the police identifying the position of a stolen car, but it is expensive. Also under development is a device able to stop a stolen car by remote control.

UN officials from 40 countries who met in Warsaw last week were most concerned, however, to perfect and link databases on stolen cars being installed worldwide by Interpol.

This would enable frontier officials to check more quickly if a car was stolen or not.

A survey by the UN International Crime and Justice Research Institute shows the risk of car theft is highest in Africa, followed by Latin America and central and eastern Europe.

Over the past four years, the steepest rise has been in central and eastern Europe.

German pay deal condemned

By Wolfgang Münchau in Frankfurt

Germany's engineering employers' federation yesterday voted not to endorse a controversial wage deal agreed by its regional affiliate in Lower Saxony and by IG Metall, the country's biggest union, increasing the risk of nationwide strike action next year.

The decision marks a hardening in the employers' negotiating stance in the wage dispute. It also highlights a split within the employers' group, with a gulf opening up between hardliners and a group willing to strike a compromise to avoid strike action.

Gesammetall, the engineering employers' federation, voted unanimously to condemn the deal, which also includes a guarantee of sick pay at 100 per cent of wages, a 1.5 per cent wage rise from April 1997 and a further 2.5 per cent rise a year later.

Mr Klaus Zwickel, president of IG Metall, and other union leaders had called on Gesammetall to endorse the deal as a model for other German

regions to adopt. The vote does not scupper the Lower Saxony agreement itself, but ensures the conflict now moves on to other regions.

Mr Werner Stumpfe, president of Gesammetall, said yesterday: "I believe that with the [Lower Saxony wage] agreement, we have disappointed the high expectations we have set ourselves to a greater degree than we did in previous wage negotiations."

But Mr Stumpfe acknowledged: "The facts established in Hanover [state capital of Lower Saxony] cannot be removed, and they will inevitably prejudice the future negotiating process."

He said Gesammetall had rejected the Hanover pay deal on three grounds. First, the package, which also included some modest cuts in benefits, would translate into a wage cost rise of about 1 per cent during 1997, while employers are holding out for a zero bottom line increase.

Second, the wage agreement guarantees 100 per cent sick pay, a benefit employers had sought to cut to 80 per

cent in line with a recent change in the minimum statutory provisions under German law. Mr Stumpfe said yesterday employers would not accept a deal that would guarantee more than 90 per cent sick pay.

Third, he said the deal also failed to provide more flexibility. Gesammetall has previously called for opt-out clauses for companies in financial difficulty. In return employers would have offered some limited job guarantees.

Gesammetall's vote is not binding on any regional affiliate, although it constitutes a strong signal. Employers in Bavaria and Baden-Württemberg, Germany's two southernmost states, are currently taking the hardest line among the country's 8,000 engineering employers.

If no agreement is reached, strike action could start between January and March next year - depending on the region - after the expiry of an obligatory no-strike period during the negotiating process.

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WOOLWICH GUERNSEY

Watch football on television. Pietro says it's a joke.

JAVICO 1500

# Dutch football in disarray as television sports channel folds

### Sport 7 is seeking protection from its creditors, reports Gordon Cramb

Dutch football, source of star players for clubs across Europe, was in disarray at the weekend after the collapse of a commercial television channel which had been given exclusive rights to screen big games live.

The board of the country's football association initially offered to resign in August, brought to a head a dispute with its biggest member clubs over ownership of broadcast rights it had sold for an estimated £190m (\$260m). Government of the game will learn their fate today.

Sport 7, set up at a cost of more than £100m, said it was seeking protection from its creditors and would end transmission from midnight last night. It was unclear yesterday where, or even whether, this week's matches would be screened.

Several clubs may be in financial peril as players' salaries rose sharply after the deal with Sport 7 was signed.

The fiasco involves some of the Netherlands' top business leaders, and has become a test of Dutch will-

ingness to allow the removal into the private domain of what are seen as national assets. Sport 7's problems began when the government insisted that NOS, the public broadcaster which had previously televised matches, should be given a sub-licence allowing it to air highlights of important contests. The deal had also attracted the attention of European Union competition authorities.

Mr Jan Timmer, head of the Sport 7 supervisory board and until October president of the Philips electronics group, said the channel had "under political pressure lost important aspects of its exclusivity". He also accused league bosses at the KNVB, the football association, of defaulting on their commitments to Sport 7.

Shareholders in the channel include Philips; the KNVB itself; ING, the banking and insurance group; KPN, the privatised posts and telecoms utility; Telegraaf Holding, publisher of the country's biggest selling daily; and Mr Joop van den Ende and Mr John de Mol, who head

the Endemol Entertainment company floated to a rapturous reception on the Amsterdam bourse last month.

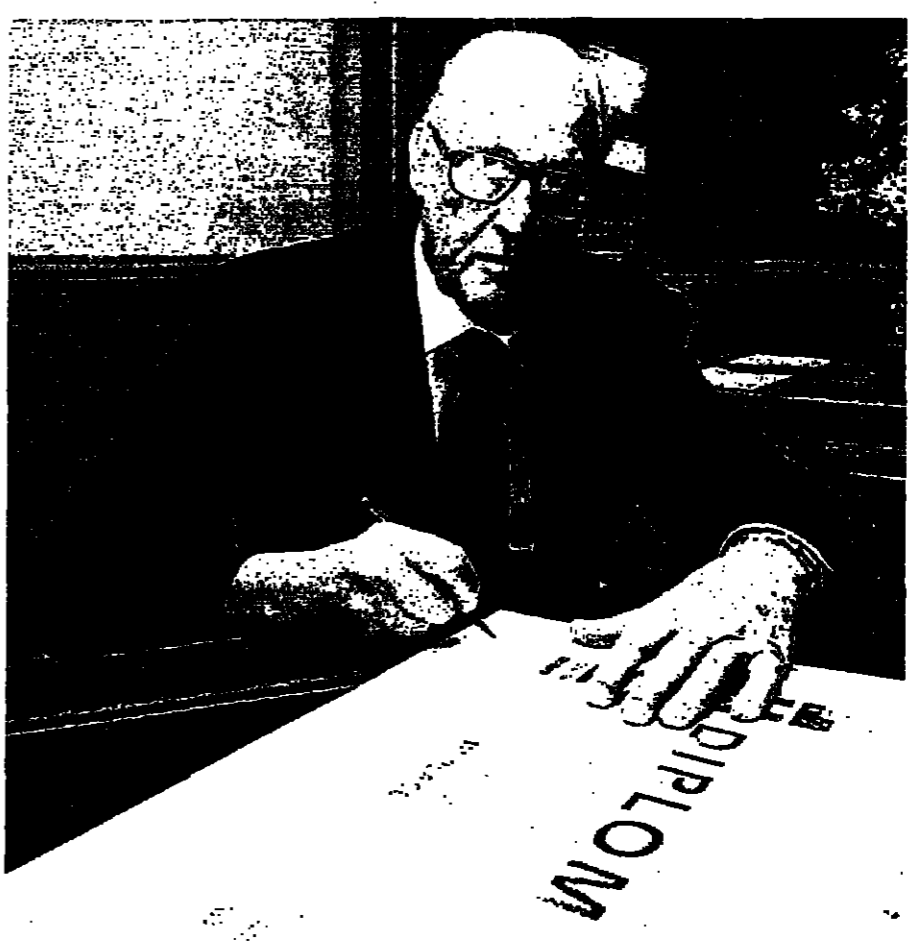
The two TV producers bought back nearly 20 per cent of Sport 7 from their newly listed vehicle because it was rapidly clouding Endemol's outlook. However, Endemol remained a big supplier of programming to Sport 7, the demise of which will hurt its ambition to broaden its portfolio beyond game shows and talent contests.

According to one weekend report, Bertelsmann, the German media giant, is among those which have already contacted the KNVB with a view to buying the rights which Sport 7 was abandoning. But the biggest clubs - Ajax of Amsterdam and Rotterdam's Feyenoord, which instituted a court action against the KNVB - dispute that the federation was anyway entitled to sell these. Feyenoord has considered selling the rights to its own home matches separately from any deal struck by its fellow clubs.

The board won majority support among the three dozen member clubs by promising that the Sport 7 deal would pay for new stadiums and help meet salary bills. But with Sport 7 reneging on its seven-year contract and on a £180m bank guarantee to the association, that prospect has been cast into doubt.

The channel was available via local cable providers, through which nearly all Dutch homes receive their TV signal. In Amsterdam, however, Sport 7 could be seen only by subscribers to a premium package needing a set-top decoder. In a country of 15.5m people, the TV audience for football dropped according to one estimate by as much as 1m. Advertisers deserted Sport 7 as a result.

Mr Harry van Raaij, chairman of PSV, the Philips-backed Eindhoven club which currently heads the first division, told De Telegraaf that a loss of confidence in the KNVB meant that "a process of change now has to be set in motion". He said this could involve the creation of a Premier League along English lines.



João Havelange, 80, president of world football's governing body Fifa, said at the weekend he would not seek re-election in 1998. He had been accused of being autocratic.

## EUROPEAN NEWS DIGEST

### Di Pietro says claims 'a joke'

Mr Antonio Di Pietro, the former Italian magistrate, yesterday dismissed as a "joke" allegations of financial links between himself and Mr Pierfrancesco Pacini Battaglia, an Italo-Swiss financier at the centre of corruption investigations. Commenting for the first time since financial police raided his home on Friday, Mr Di Pietro said the accusations, based apparently on a report by the Gico police of Florence, a branch of the financial police, were "a lie and a squalid vendetta". Extracts of the report were published yesterday by the Corriere della Sera newspaper.

The 68 raids conducted throughout Italy on Friday at the command of Brescia magistrates investigating Mr Di Pietro for alleged extortion included raids on the homes of Mr Giuseppe Lucibello, Mr Pacini Battaglia's lawyer, and Mr Antonio D'Adamo, a businessman; both, according to newspaper reports, are also alleged to have had financial links with Mr Pacini Battaglia. Both are friends of Mr Di Pietro.

A member of the "Clean Hands" pool of Milan magistrates until two years ago, Mr Di Pietro resigned as public works minister in Italy's centre-left government last month.

John Simkins, Milan

### Athens inflation slows

Greece's inflation rate slowed from 8.3 per cent in October to 7.7 per cent in November, its lowest since April 1973 according to the state-run statistical service.

The fall was mainly due to a sharp decline in heating oil prices but also reflected lower prices for fruit and vegetables as a result of good weather and tighter controls on wholesalers in the Athens area.

Inflation has remained above 8 per cent since January, bolstered by high wage increases for both private and public sector workers. Last month's fall came as a surprise to government officials who had predicted that year-end inflation would be 7.9 per cent. Despite the improvement, Greece's inflation rate is still more than three times the EU average. The government's inflation target for 1997 is 5.5 per cent, but its commitment to paying real wage increases of 2.5 per cent next year raises doubts whether this can be achieved.

Kerin Hope, Athens

### Greek farmers step up blockade



Greek farmers protesting against the Socialist government's economic policy tightened their tractor blockade of highways and rail links at the weekend (above), raising fears that Athens will run short of basic supplies.

The 11-day protest has trapped several thousand international trucks at Greece's borders with Turkey and Macedonia and paralysed domestic transport. To avoid farmers' roadblocks in southern Greece, a special ferry service has been started to link Athens's port of Piraeus with Patras, the main gateway for trade with the EU.

The farmers are demanding tax breaks on fuel and purchases of agricultural equipment and the write-off of more than \$1.5bn in debts to state banks in order to offset lower EU crop subsidies.

Mr Costas Simitis, prime minister, says the government will resist attempts by special interest groups to undermine Greece's bid to join European monetary union. However, the Socialists face mounting pressure from disgruntled supporters, with strikes and demonstrations planned by teachers, customs officials and tax collectors over the next 10 days.

Kerin Hope, Athens

### German state optimistic

Business optimism in North Rhine-Westphalia, Germany's most populous state, rose steadily between the spring and autumn. However a survey by the state central bank showed that a more bullish mood among industrialists was countered by gloom among builders and retailers.

The bank's autumn poll of 550 companies showed that 25 per cent expected business to improve over the next six months, against 5 per cent expecting a deterioration and 70 per cent predicting unchanged conditions. Six months before, 20 per cent of companies forecast better times ahead against 10 per cent predicting a downturn.

Export-oriented sectors were upbeat, reflecting stronger demand from abroad. The chemical sector was the most optimistic, while none of the companies polled in the metal processing sector expected business to decline. Office machinery and computer equipment companies reported a strong upsurge in orders but weak investment trends in Germany meant there was little optimism among machinery makers.

Peter Norman, Bonn

# Belgian deputy PM faces decision on trial

By Neil Buckley in Brussels

Belgium may learn today if its flamboyant, bow-tied deputy prime minister, Mr Elio Di Rupo, will face trial for alleged paedophile activities, in the latest of a series of scandals to have shaken the country.

Despite indications at the weekend that Belgium's supreme court may demand more time to assess newly presented evidence, today is its official deadline for a recommendation on whether parliament should remove Mr Di Rupo's ministerial immunity from prosecution and submit him for trial.

The court's decision will follow an extraordinary "democracy conference" of parliamentary leaders at the weekend, and a day-long cabinet session on Friday to discuss urgent legal and political reforms.

The allegations against Mr Di Rupo have further undermined public confidence in Belgium's institutions, after a mismanaged child sex murder case, and the arrest of a regional minister in connection with the 1991 killing of a former deputy premier.

At stake in the Di Rupo case is not just the career of one of Belgium's most senior politicians - a colourful economist and communications minister renowned for press releases adorned with his own doodles, and pronouncements on subjects from EU telecoms to the quality of Belgian chocolate.

If parliament sends him for trial, he will have to resign. But his departure could be a fatal wound for an already weakened government. If the supreme court advises parliament the case

against Mr Di Rupo does not stand up, the legal system will face yet more questions about its efficacy and motives.

Until last week, many Belgians were convinced the case would be thrown out. The original dossier against Mr Di Rupo, presented to parliament on November 19 by the Brussels prosecutor, was thin enough to prompt MPs to seek further investigations by the supreme court before taking action.

It centred on allegations that he had a relationship with Mr Olivier Trusgnach, now 23, who reportedly told police variously that he was, or was not, under Belgium's homosexual age of consent at the time. Mr Trusgnach has subsequently been described by friends and relatives as a "mythomaniac".

Whether a further dossier on Mr Di Rupo, passed to the court last Wednesday, strengthens the case may be revealed today.

Mr Di Rupo vehemently denies ever having sex with minors, saying he had relationships only with "consenting, responsible persons".

"My conscience is at peace," he said last week. "My confidence in our institutions is intact. I'm convinced [nothing] can prevent the truth from triumphing."

But if the case against the minister is indeed thin, why was it ever made public and presented to parliament? The answer may be connected with near-hysteria in Belgium surrounding paedophilia.

The hrouhaha was stirred up by August's arrest of Mr Marc Dutroux as chief sus-

pect in the abduction and murder of four young girls, and revelations of bungling and possible cover-ups in the case by police and prosecutors.

There is no suggestion of a link between the Dutroux affair and Mr Di Rupo's case. But the allegations almost certainly emerged as a result of stepped-up police efforts to root out sex offences of all kinds - including a telephone hot-line for public tip-offs. Recent reports even suggested postmen were being recruited as police spies.

Mr Di Rupo has warned of a "neo-McCarthyism" sweeping Belgium, directed not at communism but at paedophilia. He has also claimed to be a victim of "political machinations", and at least three conspiracy theories are circulating on why he is being targeted.



Di Rupo: flamboyant

efforts to purge Belgian institutions.

● Second and more credible is that the justice system allowed the case to emerge to deflect attention from its mishandling of the Dutroux affair and hit back at a government which has sharply criticised it.

● That may be linked with the third, most likely, scenario - that Mr Di Rupo was a victim of the tension between Belgium's Dutch-speaking Flemish and French-speaking Walloon halves. This holds that the allegations were leaked by Flemish politicians to discredit their francophone counterparts and the government, possibly sparking an election.

There is some circumstantial evidence: the allegations emerged simultaneously in several Flemish newspapers before the francophone

papers knew of them. They also surfaced together with similar charges against another francophone politician, Mr Jean-Pierre Grafé, a regional Walloon minister. The Walloon parliament will decide tomorrow whether Mr Grafé - who denies the charges - should stand trial.

Apart from the political implications, the cases could have other repercussions. A trial of either minister could worsen a current backlash against homosexuals.

If either case, but particularly that of Mr Di Rupo, collapses, the affair could discredit genuine efforts by police and prosecutors to tackle paedophilia.

"The real tragedy for Belgium," says one MP, "would be if this case turned out not just to have damaged a minister without justification, but allowed real offenders to go free."

# Everyone wants to be a bürokrat

### John Barham explains why so many Turks sit civil service exams

Turkish civil service examiners today begin sifting through exam papers from a record 90,000 applicants for just 2,500 coveted clerical jobs at the government's social security board. But the examiners, say candidates, are unlikely to be stretched.

Public sector jobs are usually in the gift of political bosses. The Refah party of Mr Necmettin Erbakan, Turkey's first Islamist prime minister, controls the SSK social security board and is assumed to have already handed out the jobs to the party faithful.

A shopworker who refused to give her name said: "The social democrats did the same when they were in the government, so why should Refah be different?"

Political patronage largely accounts for the 55 per cent increase in the number of civil servants in the last 15 years. Turkey now has about 2m civil servants.

Although the economy is growing vigorously, unemployment is rife and probably increasing in urban slums. Official statistics say only 6 per cent of the labour force lacks a job, much less than in most European countries, but the real figure is probably far higher.

There is great inequality of wealth, say commentators, and wages are in any

case low and do not keep pace with 80 per cent inflation.

However, thousands of people still travelled from all over Turkey to sit the exams, which ended yesterday, in a sports hall in a dismal suburb of Ankara, in the faint hope of becoming a civil servant.

Although salaries of about \$200 a month are far from princely, a public sector post offers the security of a job for life. It also confers status: in Turkey, a bürokrat is treated with respect, not contempt.

Many candidates are already in work, but fear for the safety of their jobs in private companies. And a growing number of Turks work in the underground economy, which ignores laws protecting workers' rights, or as street vendors who lack even the comfort of a regular wage.

Yet the public sector may not be able to provide lifetime employment much longer. Next year, three quarters of government revenues will be used to pay interest on its \$100bn debts. The social security system is itself on the brink of collapse, absorbing up to \$4bn in subsidies this year. Perhaps some of the lucky 2,500 will find themselves on the street again sooner than they think.

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# Foreign exchange groups plan merger

By George Graham, Banking Correspondent

Rival groups working on ways of controlling the risks of a payments breakdown in the \$1,200bn a day foreign exchange market are to bury their commercial rivalry and work towards a merger.

Talks have already been held between Echo and Multinet, which have established competing netting systems. Netting cuts foreign exchange settlement risk by offsetting the gross amounts banks owe each other in different currencies, so they only have to pay the much smaller net balance.

The two netting systems

have also opened discussions with the Group of 20, a consortium of the world's largest foreign exchange trading banks which is trying to establish a central clearing house to handle currency payments.

"The advantages of having a single utility to reduce risk in the market are overwhelming," according to a resolution agreed by Echo's board. Although banks reckon the probability of a default is small, the sums involved were so huge that if a default were to occur, the entire banking system could be shaken.

A bank might have paid over hundreds of millions of D-Marks in Germany hours before it received the corresponding dollars in the US - as happened in 1974 to trading partners of Bankhaus Herstatt, a Cologne bank which collapsed leaving more than \$600m of trades unsettled. Smaller foreign exchange losses occurred more recently with the BCCI failure.

Central banks stepped up their pressure on the private sector to find a solution to this Herstatt risk with the publication of a report from the Bank for International Settlements in Basle, calling for action within two years.

Just a few months ago, however, individual banks - and different departments within some banks - were at loggerheads over the best approach. Echo, which started operations in London last year, is backed by most large UK banks and by several French, Dutch and Scandinavian banks. With the addition of the yen this week it will offer netting services in 14 currencies, including all the main trading currencies.

Multinet, on the other hand, was backed by a number of large US and Canadian banks. It received its final approval last week from the Federal Reserve,

but has not yet started operations.

The G20 clearing house bank, on the other hand, had the support of a much broader geographical spread of banks which between them account for a third of all the world's foreign exchange trading. It would, in theory, completely eliminate Herstatt risk through a system known as "continuous linked settlement," in which both legs of a trade are paid simultaneously. But it remains a somewhat sketchy, though ambitious concept, and is reckoned to be at least two years from fruition.

Current talks now aim at

blending the best of Echo and Multinet to provide a comprehensive multilateral netting system, which some banks estimate could cut their settlement risk by 50-75 per cent.

Other systems such as FXNet and Swift Accord could also be involved. They also provide netting services, but only bilaterally between two banks, rather than multilaterally between a group of banks.

When the G20 bank is ready, it could then be linked to this netting system and handle a greatly reduced stream of net payments, thus eliminating the remaining risk.

# US welfare cash could go into equities

By Parth Waldmeir in Washington

A federal advisory panel is expected to issue a cautious recommendation later this month that a portion of US social security funds should be invested in equities as part of a plan to save the state pension programme from bankruptcy.

But the Advisory Council on Social Security was unable to agree on recommending partial privatisation of the system, says the panel chairman, Professor Edward Gramlich. And one faction of the deeply divided panel argues the government should not begin investing social security funds in equities until after further lengthy examination.

Asked to comment on the plan, Mr Robert Rubin, Treasury secretary, yesterday expressed caution on the risks involved. Speaking in the wake of a sharp drop in US equity markets, he said: "Investing in equities, while an interesting idea, raises some concerns, particularly the volatility of equities."

He left open the possibility of revising the consumer price index, which is used to calculate the annual cost-of-living rises in social security, a measure recommended last week by a congressional appointed panel and one which would ease though not resolve the social security crisis.

The council, divided into three factions, will issue a

report by year-end which proposes three alternatives for dealing with Social Security. All involve a substantial investment of retirement funds in equities, but one - backed by trade unionists - is only a lukewarm endorsement. The trade union group says equity investment should be undertaken only after "careful study and public debate."

That faction rejects a rival proposal that individuals should be mandated to invest a portion of their social security taxes themselves in private investment accounts.

The panel's disagreements foreshadow a bitter battle over social security reform, one of the biggest issues of President Bill Clinton's second term. Mr Clinton has said it might be possible to "test" a partial privatisation of social security, and Mr Tom Daschle, senate majority leader, last month said he favoured investing some social security funds in stocks (currently the social security trust fund can invest only in government securities).

But Prof Gramlich said investing in equities was the only way to avoid either cutting social security or raising payroll taxes to compensate for increased demands on the system when the "baby boomer" generation reaches retirement age. The Administration has said it expects the social security trust fund to be depleted by 2028.

# US steps in after Cavallo's allegations

By David Pilling and Stephen Fidler in Buenos Aires

Senior diplomats from the US embassy in Argentina last week held a meeting with Mr Alfredo Yabrán, the man accused by former economy minister Domingo Cavallo of trying to engineer a "mafia" takeover of the country's postal system.

The meeting, requested by the US officials and held before President Carlos Menem's official visit last week to the US, is a sign of the concern in Washington generated by Mr Cavallo's allegations of corruption within the Menem administration. The issue has dominated the Argentine media in recent weeks.

Three senior US diplomats held a four-hour meeting in Mr Yabrán's Buenos Aires offices. Mr James Cheek, the US ambassador, helped to arrange the meeting but did not attend.

The US embassy would not officially confirm the meeting with Mr



Former economy minister Domingo Cavallo: alleged there were 'mafia' attempts to take over Argentina's postal system

legislation now before the Argentine congress made the country's postal service as competitive as possible. The US was also concerned to ensure new regulations did not hinder the war on drugs, he said.

Mr Cavallo told Congress last year that the proposed legislation, which would establish a postal regulatory regime in preparation for the outright privatisation of the sector, had been deliberately drafted to help Mr Yabrán establish a monopoly. He said Mr Yabrán controlled through relatives and frontmen a host of post office companies, in addition to the Ocaso group which he admitted to owning.

The proposed bill would also prevent the search of mail vehicles by police, facilitating the traffic of drugs and laundered money through Ezeiza international airport.

Bonded warehouses at the main international airport in Buenos Aires were also controlled through

companies belonging to Yabrán frontmen, Mr Cavallo said.

Mr Cavallo's allegations to Congress, repeated and elaborated on in recent weeks, have so far halted passage of the bill but the attacks on Mr Yabrán played a large part in the dismissal of the economy minister in July.

The US embassy has hitherto backed Mr Cavallo in his battle against Mr Yabrán's alleged attempts to create a private post office monopoly with the help of government officials. But since Mr Cavallo was sacked last July the embassy has become more reticent in its support.

"The US embassy always has an influence in Argentina by action or omission," said Mr Wenceslao Bunge, spokesman for Mr Yabrán, who is rarely seen in public. He said the meeting was proof the US had "started wondering: 'what if Cavallo is wrong?'"

Mr Yabrán has filed three lawsuits against Mr Cavallo, including one for slander and another for

allegedly damaging Mr Yabrán's business interests to the tune of \$180m.

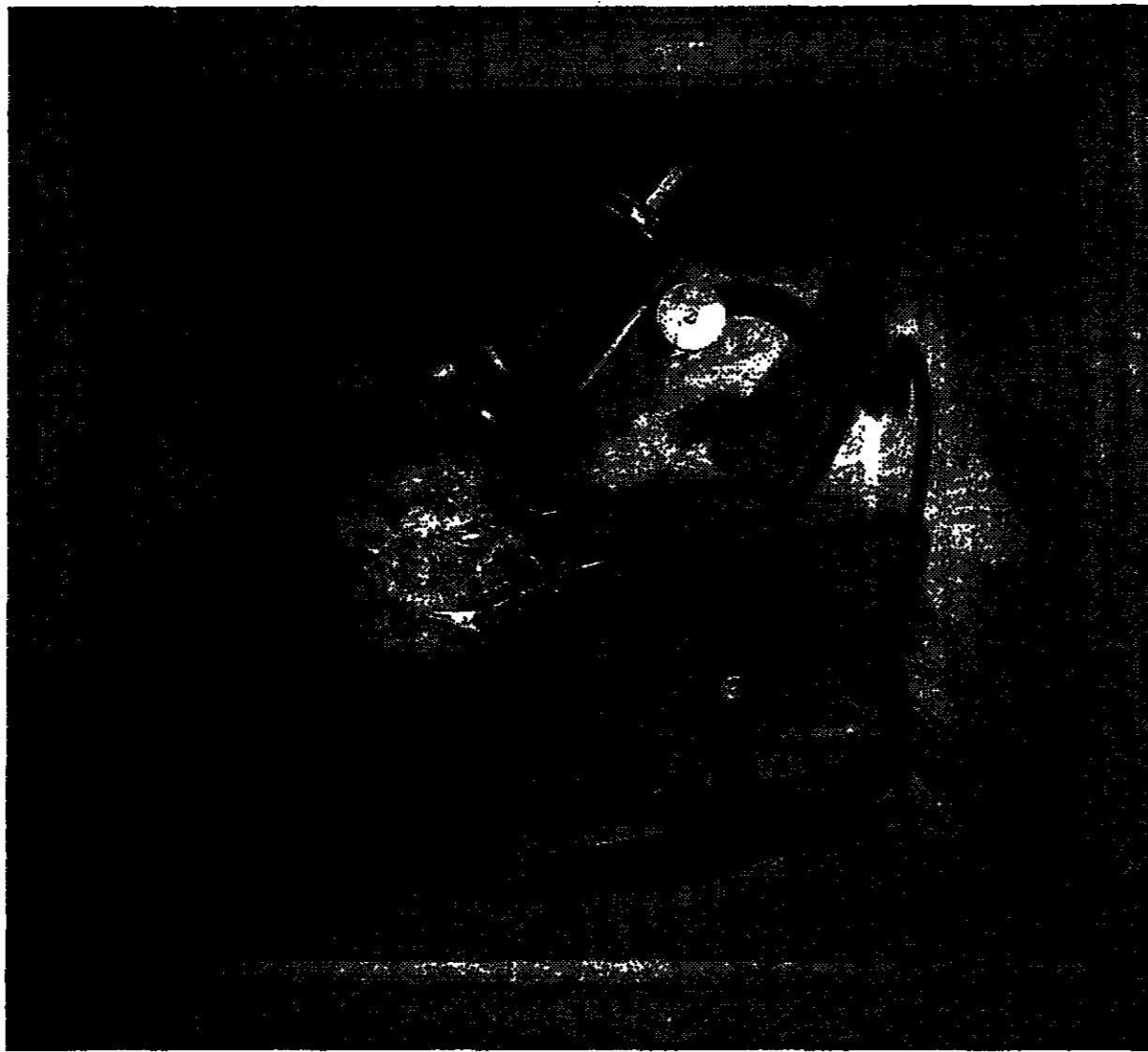
Mr Yabrán had been hounded from the post office sector altogether, said Mr Bunge. He had recently sold part of Ocaso, with an option on the remaining stake, for \$30m to Oca, a rival group. Mr Cavallo has alleged that Oca also belongs to Mr Yabrán.

Asked about the ownership of the companies said by Mr Cavallo to belong to Mr Yabrán, one western diplomat said: "It's kind of murky."

"Documents would certainly indicate that there are a lot of interlocking directorships with associates and in many cases relatives of Mr Yabrán. But as far as ownership goes, I don't think it has been clarified," he said.

"I'm not trying to portray Yabrán as Mother Teresa," said Mr Bunge.

"He is neither worse nor better than other Argentine entrepreneurs."



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# UN braces for new influx of returnees

The 500,000 Hutus in Tanzania are looking to go home to Rwanda. Michela Wrong reports

In the compound of the UN High Commissioner for Refugees in Ngara, the excitement is palpable. Christmas leave has been cancelled; emergency meetings are being held. A secretary types up instructions on how to handle the rush of journalists expected to cover the great event.

The organisation is bracing for the second coming - the repatriation of nearly 500,000 Hutu refugees who have been living in north-west Tanzania since fleeing the advance of the Rwanda Patriotic Front in 1994.

Following last month's return to Rwanda of 600,000 refugees from eastern Zaire, the UNHCR is convinced the time is now ripe for a mass influx from Tanzania, bringing the organisation one step closer to ending a two-and-a-half year refugee crisis that has haunted the region.

It is a homecoming ardently desired by nearly all the key players. Tanzania, exasperated by the way the refugees have stripped woodland, killed wildlife and depleted water resources, wants the eight sprawling settlements scattered across these rolling hills gone.

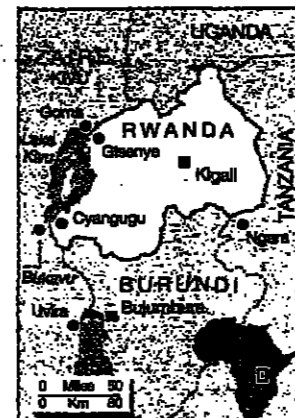
Rwanda's Tutsi-dominated government, hoping that funds meant for the faltering multinational intervention force will be re-allocated inside its frontiers, wants to demonstrate it is serious about reconciliation with its Hutu majority. As for the aid agencies, they are finding the task of raising funds for a community regarded with diminishing sympathy abroad a heavy burden.

The only fly in the ointment could be a key component: the refugees themselves. They were given their official marching orders last week, in a joint communique from the Tanzanian Ministry of Home Affairs and the UNHCR.

The blunt message that Ngara's inhabitants had until December 31 to go home prompted Amnesty International to accuse the UN agency of violating the principle of voluntary repatriation.

The complaint went to the heart of the problem of persuading this refugee population, still cowed and controlled by the community leaders who masterminded the 1994 genocide of Rwanda's Tutsis, to move.

For despite being unanimously welcomed, the exodus from Kivu fell far short of a voluntary return as traditionally defined by the UNHCR. Refugees started moving only when the Bany-



has become inevitable.

"People are saying they may eventually be forced to walk home, so why not go now, and get a lift in a UNHCR truck," says Ms Rose Ruganzu, a medical co-ordinator working at a camp hospital. From a pitiful 100 a month before the events in Kivu, returnee numbers have soared to 600 a week. On Friday, 1,118 refugees registered to return, and the UNHCR said it hoped to see a surge in figures after today's food distribution.

Much will depend on the attitude of the *bourgmestres* and prefects who led the Hutus into exile. Wary of being labelled as "intimidators", they insist each individual is free to make up his own mind.

But Jean, a young farmer waiting to be repatriated, tells another story - of psychological pressure rather than outright threats. "Most people are thinking of repatriation. But when people hear you're planning to leave, the young men working for the commune leaders come round and try to dissuade you. If it hadn't been for that I'd have left three weeks ago."

The Tanzanian government currently appears to be

'If we succeed in triggering a small movement, they will all leave. If we don't, the repatriation programme will collapse'

sphere in the camps since the events in Goma and Bukavu. Glued to short-wave radios and closely monitoring events in Zaire, the refugees know the political landscape has radically altered.

They had been assured by their leaders that the former soldiers and militiamen who had fled to Zaire would lead them home, behind a conquering army. Now those forces are scattered, fighting desperate rearguard actions against the Banyamulenge.

"They were looking to Zaire for leadership, hoping one day the Messiah would come and deliver them to their promised land," says Mr Abiriga. "Now that hope has gone. That's a fundamental change."

The fact that mass arrests or massacres of returning refugees by the new Rwandan army have not been reported has also registered. Above all, say camp workers, a general conviction has spread that return - whatever the circumstances -

hoping that the momentum created by recent events will suffice. A specially isolated camp for intimidators, an hour's drive north of Ngara, has been prepared, but never used. But aid workers believe if the December 31 ultimatum is ignored, it will adopt a more muscular approach, snatching suspected hardliners and sending troops in to try to panic the refugees into mass flight.

"The government says it has a list of intimidators," says one official. "We don't know what it is planning, but it says it knows how to get them."

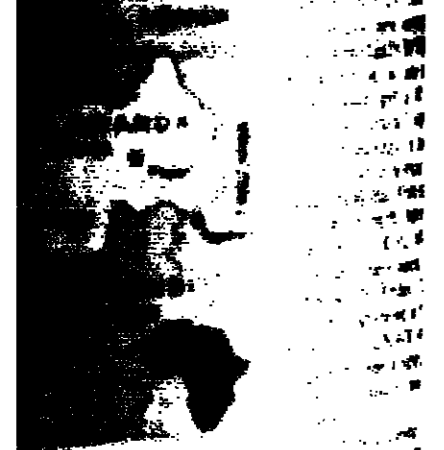
Such an approach would certainly be condemned by the likes of Amnesty International. But after the "forcible voluntary repatriations" witnessed first from Burundi and now Zaire, the response from an international community all too aware of the destabilising potential of central Africa's refugee population is likely to be muted.

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NEWS: ASIA-PACIFIC

Fresh talks called in attempt to settle market access dispute on eve of deadline

# US-Japan insurance row simmers

By Michiyo Nakamoto in Tokyo

Japan and the US have failed to reach agreement over access to Japan's insurance market during weekend talks on the issue, but have agreed to a further ministerial meeting later this week.

A last-minute meeting between Mr Hiroshi Mitsuzuka, Japanese finance minister and Ms Charlene Barshefsky, acting US Trade Representative, failed to bridge differences over whether recent Japanese moves to deregulate its insurance market breach a 1994 bilateral agreement. Mr Mitsuzuka and Ms Barshefsky agreed to meet again on December 14, just one day before the self-

imposed deadline for an accord.

The Japanese side made a further proposal for deregulating the primary sector, covering life and non-life insurance markets, at the meeting. However, a significant gap still remained over whether or not Japanese plans to allow domestic life insurance and non-life insurance companies into the so-called third sector through subsidiaries was in breach of the 1994 accord. The US side has insisted the 1994 accord ruled out "radical change" in the third sector, where US companies, in particular, have carved out a niche, and that the new Japanese move constituted "radical change".

The Japanese side has put forward

a new proposal to include significant deregulation of the primary sector along with the country's financial "Big Bang" deregulation measures scheduled to come into force in 2001.

The new measures would include deregulation of motor insurance rates, according to Japanese press reports. However, the Japanese authorities are reluctant to accept US demands to prevent Japanese insurance companies from entering the third sector, which includes promising growth markets such as personal accident and cancer insurance, for a significant period.

The government amended the insurance law earlier this year to allow entry by Japanese insurance

companies into the third sector through subsidiaries. While the ministry of finance has placed a virtual moratorium on third sector entry until the end of this month, it is keen to give domestic companies the go-ahead as soon as possible. The US claims, however, that such a move would constitute "drastic change" in the business environment and would therefore be a breach of the 1994 bilateral agreement.

Entry by Japanese companies into the third sector, on which many US companies depend crucially for their revenues in Japan, should not be allowed until significant deregulation of the primary sector is carried out, the US insists.

# Time tight for HK's ethnic minorities

By John Ridding in Hong Kong

Mr Ravi Gidumal runs a Hong Kong trading and distribution business but fears his own movements will soon be constrained. Ms Vandana Rajwani is a barrister who worries she could be kept out of court. Both are angry that they, like thousands of others in the colony, are set to become stateless when it returns to Chinese sovereignty on July 1 next year.

As time ticks by, Hong Kong's ethnic minorities are stepping up attempts to get British citizenship. A debate this week in the House of Lords marks a culmination of efforts to highlight their dilemma and to bring pressure to bear on the British government. "It is a matter of rights," says Mr Gidumal. "Britain has a legal and moral responsibility."

At the root of the problem lies the gap between China's nationality laws and the shrinking scope of Britain's right of abode. China does not recognise ethnic minorities as nationals, although it will allow those concerned to continue living in Hong Kong. British residency rights have been eroded by successive nationality laws since the 1970s. Those caught in the gap number a maximum of 8,000 people, according to the Hong Kong government, although a better estimate is between 3,000 and 5,000 says the Indian Resources Group, which is leading the lobbying effort.

Many have long ties to Britain, some stretching back to the founding of the colony in the 1840s. About 2,000 Indian troops were present when the British flag was raised in Hong Kong. "They didn't choose to be here. They were brought here," says the Indian Resources Group.

Mr Gidumal's grandfather left British India for China at the beginning of this century. During the second

world war he was sent to a prison camp in Japan. His father was a British Citizen of the United Kingdom and Colonies, but regulations blocked Mr Gidumal junior from full British citizenship.

The largest contingent among the ethnic minorities is from the Indian subcontinent. But the diverse group even counts some white Russians who fled the communist revolution, passed through China, and ended up in the British colony.

What they share is a sense of injustice and practical problems. Without citizenship, Mr Gidumal fears that countries could impose strict visa requirements. "At the extreme, they may not let you in. The British government has sent a warning signal. They are British, but not British enough."

Ms Rajwani believes it could be difficult to work as a barrister after 1997. "My Cantonese is good but it might not be good enough to conduct a case," she says, adding that Hong Kong's British colonial culture meant she was encouraged to concentrate on learning English as a child.

Mr Gidumal believes that the cause is winning support. "Things are moving in our favour, so I am cautiously optimistic," he says, noting that the opposition Labour party has pledged to grant the right of abode to Hong Kong's stateless minorities.

This week's debate in the Lords, says Mr Gidumal, is expected to result in the motion being approved. It would then move to the House of Commons. Publicity and pressure, he says, as much as the parliamentary steps are the objective of the exercise.

The problem, he accepts, is the Home Office and Mr Michael Howard, the home secretary, who remains opposed to concessions on the issue. "We still have a quite a battle ahead of us," says Mr Gidumal.

# Rangoon campuses sealed off

By Ted Berdack in Rangoon

Burmese soldiers and police sealed off Rangoon's two main universities at the weekend after the most violent clashes in the capital since a crackdown killed thousands in 1988.

The clashes were the culmination of a week of student demonstrations. Up to 2,000 students from Rangoon University and the Rangoon Institute of Technology (RIT) have been protesting against police harassment and demanding formation of independent student unions.

Police moved in on Saturday, turning water cannons on nearly 500 protesters and then herding them into military trucks.

Most of the detained students were later taken back to their campuses and stayed there after roads around the capital were blocked by armed soldiers and riot police.

Protests were continuing inside the RIT campus, said nearby residents. RIT students spearheaded the 1988 demonstrations and the university was subsequently closed for two years.

About 500 supporters of democracy leader Ms Aung San Suu Kyi gathered near her home yesterday, chanting pro-democracy slogans and support for the students. Except for one brief outing on Thursday, Ms Suu Kyi has been confined to her home with a small group of aides since the student protests began.

US economic sanctions can be triggered if Ms Suu Kyi is harmed or re-arrested or if repression intensifies. The EU is considering revoking Burma's Generalised System of Preferences trade privileges.

Diplomats said Burmese authorities were avoiding a violent crackdown so as not to jeopardise their admission into the Association of South-east Asian Nations. Asean last week indicated that it would accept Burma as a full member.

# NTT dials the global marketplace

Japan has been curiously absent from the international race to build up global telecoms networks.

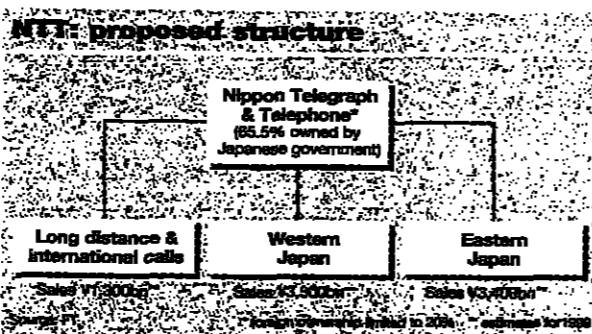
Forty-four years after its public telecoms utility was broken into two - NTT, serving the domestic market, and KDD, the international market - that anomaly is finally about to be corrected.

The ministry of posts and telecommunications announced last week that NTT was to be split into three units - two regional ones and a long-distance plus international carrier - under a single holding company. This means NTT will be allowed for the first time to sell international services.

The fine print has yet to be written on exactly when and how NTT will be allowed to conduct international business. But the announcement means NTT can begin to plan its move into the world market.

The hastily patched reform, comes just in time for the ministry to submit bills to the next parliamentary session, reflects heightened concern in Japan over the damaging impact that NTT's further absence from the increasingly global telecoms market would have on Japanese competitiveness.

The accelerating trend in the telecoms industry towards globalisation has triggered alarm not just



within NTT but also among politicians, including Mr Ryutaro Hashimoto, the prime minister, and business leaders. They are concerned that keeping NTT out of the international market may leave Japan in the slow lane to an advanced information society.

When it enters the world market, NTT - despite its lack of experience - will be a formidable player because of size and technical expertise.

"They have 60m phone lines in Japan for a start," said Mr Eric Gan, industry analyst at Salomon Brothers in Tokyo. NTT's size, with revenues of more than ¥7,900bn (\$70bn) a year, also gives it a tremendous advantage over global competitors, most of them much smaller.

Furthermore, the company's technological expertise places it among the top carriers to provide advanced

global communications services, said Mr Hironobu Sawake, industry analyst at Nikko Research Centre in Tokyo. NTT has laid an optical fibre network throughout Japan and has a particularly high level of expertise in multimedia technology, which will increasingly be in demand from multinational corporations, he notes.

Those are some of the reasons why foreign carriers have been courting NTT.

For foreign telecoms companies eager to build up global networks, NTT is a natural partner in the increasingly important Asian market. Although foreign companies have linked with Japan's existing international carriers, KDD, ITJ and IDC, not only do these companies lack domestic operations, the revenues of even the largest of them are only a fraction of NTT's.

Analysts believe the chances are high that NTT will form some kind of partnership with a foreign carrier. Mr Miyazaki has suggested NTT will begin providing international computer communications services by leasing lines where it does not own them.

In the domestic market, the break-up of NTT into two regional companies and one long-distance company promises to stimulate further competition, analysts believe. For one thing, although the companies groups will be linked under a single holding company, the need to report separate accounts will force them to cut costs and raise profitability, which in turn will force them to lower rates.

While NTT was a single company providing both local and long-distance services, long-distance competitors complained that the high access fees it charges other long-distance companies and cellular phone companies for using its local network - the part of the telecoms line that goes directly to users - prevented them from lowering their rates.

However, it is unlikely that access charges, which are calculated to cover costs, will be reduced significantly unless NTT's local business costs comes

down substantially.

NTT, which has a virtual monopoly of the local market but faces fierce competition in the long-distance market, has also drawn criticism from its competitors that costs for local business have been higher than necessary because the local business has been subsidising its long-distance business.

Under the new structure, the local companies' cost structure will become more transparent, making cross-subsidisation difficult and forcing them to lower costs and charge lower access fees, Mr Gan says.

Whether or not the deal proceeds depends on a political decision to allow the creation of a holding company, which NTT believes is crucial in protecting its shareholders. Holding companies are still banned in Japan and consolidated taxation is not accepted.

Resistance is expected from international telecoms operators that are unlikely to survive the competition from NTT intact. A wide-ranging restructuring of the entire industry is also to be expected. But given that the future of Japanese telecoms is at stake, it is likely politicians and NTT will join forces to overcome obstacles.

Michiyo Nakamoto

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# Drug chain seeks to employ doctors

By Peggy Hollinger and Nicholas Timmins

Unichem, one of Britain's biggest pharmacists and drug distributors, is planning to bid to run family doctor services on contract to the National Health Service when the government's primary care bill becomes law.

The bill, currently before parliament, makes it easier for private bodies to employ family doctors and other staff to provide services to the NHS. The proposals are likely to become law next year.

Unichem wants to set up one-stop health shops combining GP services, minor surgery, chiropody, dental services and a pharmacy under one high street roof. The company hopes to form a consortium to run the services, possibly with a health insurer such as BUPA.

The company said it was awaiting guidance from the department of health, expected early next year, before deciding how to proceed. Supermarket chains such as Tesco and Asda are understood to be exploring similar ideas for GP ser-

ices in their supermarkets. Unichem, which is currently bidding for the Lloyd's Chemists chain, is one of the UK's largest pharmaceutical wholesalers. It owns more than 400 chemists shops.

The company said moving into primary healthcare would allow it to exploit more effectively its drug distribution and pharmacy businesses. Patients and the government could benefit from combining the expertise of pharmacists and doctors.

"We pharmacists know the costs of drugs and can see cheaper alternatives," said Mr Barry Andrews, Unichem's retail director. "On paper, perhaps more expensive alternatives which are more effective." The cost benefits could be shared between the health service and the private consortium, he said.

Unichem believed such privately-operated centres could go ahead even if Labour wins next year's general election. "As long as they can get patient service not based on wealth, a Labour government is unlikely to block this," said Mr Jeff Harris, Unichem's chief executive.

# Managers hit at Budget forecasts

Seven out of 10 managers expect interest rates to rise before the next general election amid widespread scepticism about the optimistic economic forecasts in last month's Budget, according to a survey published today.

A poll by the Institute of Management also shows that 71 per cent of managers believe they have not personally gained from the Budget unveiled by Mr Kenneth Clarke, the chancellor of the exchequer, last month.

Some 59 per cent of managers say the Budget will do little to encourage business investment. Only a quarter of managers thought a reduction in corporation tax would be of benefit compared with 54 per cent who did not.

Just over half the managers, 53 per cent, said the Budget focused on short-term political concerns rather than long-term economic issues.

*Leyla Boulton*

# Eurotunnel to restart limited shuttle service

By Charles Batchelor, Transport Correspondent

The anticipated high level of demand, travel would be restricted to passengers who had made advance reservations. Customers who had already bought tickets were advised to reserve a date and a time for their crossing.

It remains to be seen whether Eurotunnel's expectation that large numbers of passengers will return to the tunnel are borne out. Thirty-four lorry drivers and train crew had to be led to safety through thick smoke after a fire on a freight shuttle on November 18.

The re-launch comes a week after Eurostar resumed its services through the tunnel. The inter-governmental safety commission gave its approval for passenger trains last Monday.

Trains can use two-thirds of the fire-damaged tunnel but switch to the undamaged tunnel at the two undersea cross-over points. The middle section of the damaged tunnel is expected to take five months to repair.

Eurotunnel has been required to take additional safety precautions and has emergency trains at each end of the tunnel as well as emergency vehicles in the service tunnel.

In an advertising campaign which began yesterday Eurotunnel said, because of

# Gas users 'must warn on needs'

By Robert Corzine

Large commercial and industrial gas users who fail to liaise closely with their suppliers on likely gas needs could face higher charges in future, according to Alliance Gas, the UK subsidiary of Statoil, the Norwegian state energy group.

Mr John King, managing director of Alliance Gas, said flaws in the regulatory structure of the liberalised commercial and industrial gas market had raised the financial risks to suppliers. From this autumn, big penalties can be imposed on suppliers that fail to balance the amount of gas they put

into British Gas's pipeline system each day with that used by their customers.

A sudden rise in consumption by a large customer could leave the suppliers exposed to penalties under the Network Code, the complex set of rules that governs the competitive gas market. Suppliers must make up any shortfall between the amount they send through the British Gas network and the amount demanded by their customers by buying gas through a "flexibility mechanism". This is mainly an overnight market in which prices can be as high as £3 a therm, compared with less than 15p a therm on the informal spot market that operates during the day.

In future, gas customers are likely to have to bear a large portion of the extra cost. "Customers will be judged about how well they communicate with their suppliers," said Mr King. "High risk customers should expect higher prices" to reflect the new reality of the industry.

He predicted that some smaller gas suppliers might be driven out of the market. "I think there will be a few casualties over the winter."

Commercial and industrial gas users have enjoyed steep falls in gas prices in

# Companies urged to help partners

Companies should give more help to the partners of staff they want to work overseas, according to a survey by the Confederation of British Industry and Organisation Resources Counsellors, the management consultants.

The survey says companies expect dual careers to have an increasingly important impact on the take-up and success of overseas assignments. Some 70 per cent of organisations questioned believe that working partners are more frequently raised as a barrier to taking international positions. Nearly half the 462 organisations surveyed believe that more employees are refusing to work abroad because of the loss of their partner's income. A similar proportion believe more staff are refusing to work abroad because of damage to their partner's career and loss of job progression and opportunity - higher percentages than in previous surveys.

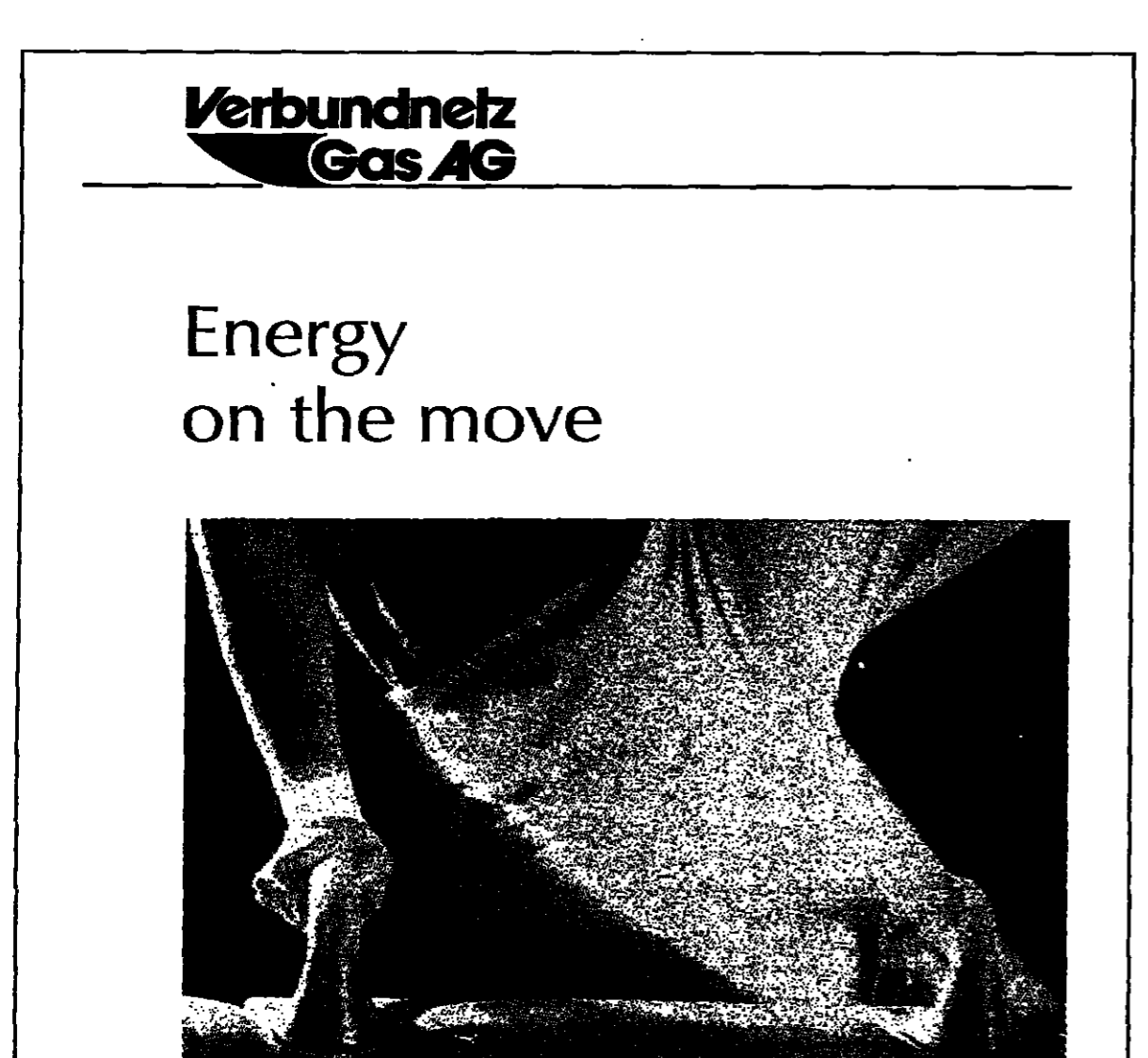
The report says only 38 per cent of companies with expatriate staff have a formal policy to help the employee's partner. Some 42 per cent have informal or ad hoc policies. The survey shows the expatriate world is still male-dominated. In more than half the companies, 75 per cent of the expatriate staff are male, and in more than a third women make up fewer than 25 per cent of expatriate staff. Nearly 33 per cent of male expatriates are accompanied abroad by their partners, whereas more than 50 per cent of female expatriates are single.

*Andrew Bolger*

# Business plan due this week

Fierce lobbying is expected as organisers prepare for a crucial meeting this week of the Millennium Commission, the body in charge of dispensing funds for the £700m (£1.15bn) exhibition in Greenwich, London, celebrating the dawn of the new century. The commission is due on Wednesday to finalise a business plan put forward by Millennium Central, the exhibition's operating company. Millennium Central must then seek government and opposition approval to extend the amount of time the commission receives funding - beyond £900m - in order to underwrite the development. Millennium Central will deliver a balanced budget plan, suggesting any extension of the commission's £300m-a-year National Lottery funding would be for guaranteeing purposes only. This is important as the commission appears united in its determination not to contribute more than £200m towards the cost of the exhibition.

*Christopher Price*



**Verbundnetz Gas AG**

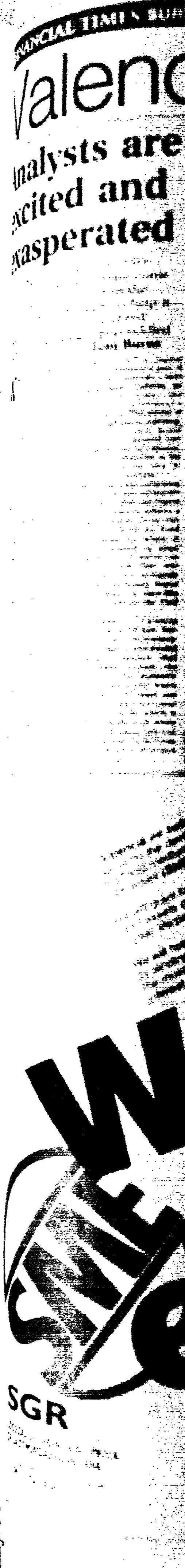
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# THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS		FRIDAY DECEMBER 13		
<b>TODAY</b>	Abbey National Treasury Gtd FRN 1999 \$14.14 Anglo Irish Bank FRN 1998 £147.82 Anheuser-Busch Cos \$0.24 Bowthorpe 3.21p British Dredging 2.6p Danskron Int 0.5p Electric Power Dev 8 1/4% Gtd Nts 1999 \$81.25 Halifax Bldg Scty 7.5% Nts 1997 £375.0 Hartsons & Crossfield 3.6p Hydro-Quebec 6.50% Db Ser IK 1998 £65.0 Japan Finance Corp for Municipal Enterprises 3.375% Gtd Bd £22.22 Malbak Global Dep Rcpts RD.40 Morgan Stanley Equity (C) Pf Equity Quarterly-Pay to Guinness 5.18375p Norway FRN Dec 2002 £139.71 Perpetual Inc & Growth Inv Tr 1.75p United Kingdom 7 1/4% Bd 2002 \$72.50 Uppsala FRN 1998 \$297.01	Fuji Bank Intl Fin Perp Sb Gtd FRN \$1619.97 Fuji Bank Y4.25 General Motors \$0.40 Halifax Bldg Scty 13% Perm Int \$3406.25 Do FRN 1999 \$14.30 Headline 1.45p Honda Y7.0 Houston Inds \$0.375 IBM \$0.35 JJB Sports 1.5p Kleinwort Development Fund 12.6p Mitsubishi Tet and Banking Y3.00 Mitsui Tet & Banking Y2.50 Nat West Bank Var Rate Cap Nts £156.55 Nippon Credit Bank (Curacao) Fin Gtd Fxd/FRN June 10 2004 \$3145.31 Ox Gtd Fxd/FRN Dec 2004 \$2145.31 Portman Bldg Scty FRN 1997 £147.82 Road Management 9.18% Gtd Sec Bd 2000-21 \$459.0 Sabre Intl (No.2) Series N Variable Rate Sec Nts 1996 Y20913.0 Do Series Q Var Rate Sec Nts 1996 Y2041.0 Salora Bank Y4.25 Sanwa Bank Y4.25 Standard Chartered Und Prim Cap FRN £295.74 Sumitomo Bank Cap Mids Inc Gtd Fxd/FRN 2003 \$31071.88 Sumitomo Heavy Industries Y23777.0 Sunlight Realty & Dev Y305000.0 Do 3.55% Nts 1999 Y355000.0 Tasec 7.1% Bd 1998 Y710000.0	Do 7.1% Bd 1999 Y710000.0 Tasec \$0.45 Dania \$0.26 Toray Inds Y3.50 Treasury 8% 2003 £4.00 United Technologies \$0.55 Walker Crisp Weddie Beck 1.25p Walker Greenbank 1.3p Warner-Lambert \$0.345	CSX \$0.26 Capital 1.5p Dania \$0.26 DFS Furniture 6.9p Englich China Clays 5.5p Fujitsu 3 1/4% Bd 2000 (Wrmts) \$312.50 Do 3 1/4% Bd 2000 (Without Wrmts) \$312.50 Gerrard 8p Gracochurch Mortgage Fin (No 2) Class A Mtg Bkd FRN 2028 \$980.97 Do Class B £1754.23 Do (No 3) Class A Mtg Bkd FRN 2029 £1036.05 Do Class B £1716.93 Gracochurch Personal Loan Fin (No 1) Class A FRN 1998 \$51.0 Do Mezzanine FRN 1998 £317.07 Independent Parts 2.2p Investors Capital Tr 5 1/4% Crm Pf £1.8375 Kallina Y4.50 NT & T Y2500.0 Pressac 2.91p Tex 2p Tosco 0.4p UDO 7.75p Young & Co's Brewery A 7.35p Do N/Vtg 7.35p
<b>TOMORROW</b>	Alexanders 9.5% Crm Pf 3.325p Allied Signal Inc \$0.225 Cardiff Automobile Rcvbles (UK) No 2 Class A FRN 1997 £183.0 Do Mezz FRN 1997 £182.01 Dun & Bradstreet \$0.25 Electronic Data Systems \$0.15 Eaton \$0.73 Finsbury Tet 1.7p Do A Non Vtg 1.7p	Do 7.1% Bd 1999 Y710000.0 WEDNESDAY DECEMBER 11 CRT 3.75p Eksportfinans 7 1/4% Nts 1998 \$388.75 Hepworth 5.5p Kubota FRN 1997 Y21782.0 Freswick 0.5p PFT Investment 1.5p Smith & Nephew 2.29p Treasury Fltg Rate 1999 £1.3876 Wescol 0.7p	Do Class B £1754.23 Do (No 3) Class A Mtg Bkd FRN 2029 £1036.05 Do Class B £1716.93 Gracochurch Personal Loan Fin (No 1) Class A FRN 1998 \$51.0 Do Mezzanine FRN 1998 £317.07 Independent Parts 2.2p Investors Capital Tr 5 1/4% Crm Pf £1.8375 Kallina Y4.50 NT & T Y2500.0 Pressac 2.91p Tex 2p Tosco 0.4p UDO 7.75p Young & Co's Brewery A 7.35p Do N/Vtg 7.35p	THURSDAY DECEMBER 12 Bankamerica \$0.54 Cobham 3.5p Cox Insurance 1.75p Easton Fin 12 1/4% Un Ln 2014 \$6.25 Ecochequer 12% 2013/17 \$6.0 GWR 1.53p Hartmann 6 1/4% Sb Cv Bd 2006 £182.50 Ireland Res Mortgages (No 1) Class A1 Mtg Bkd FRN 2025 FR£1468.01 Johnston 4.5p Metrose Energy 0.58p Pitzer \$0.30 Sapporo Breweries FRN 1997 £182.50 Tudor 0.33p
<b>UK COMPANIES</b>	Holmes & Merchant Hoselock Leeds Group Sage Group Waterfall Hldgs Wharfedale Interim: Alba Anglian Group Bechtel British Land Co BSE Capital for Companies VCT Celsis Security Drummond Group Halma Hill Hill Process Intl Tame (John) Theo Farnell Tribal Systems Tried Group Vach Hldgs	Schroder Ventures Intl Inv Tst, 120, Cheapside, E.C. 11.00 Town Centre Securities, Town Centre House, The Merion Centre, Leeds, 2.30 UDO Hldgs, Great Eastern Hotel, London Street, E.C. 11.00 BOARD MEETINGS: Fines: Airtours Apollo Metals Avon Rubber NFC SEF Intl Hldgs Ticon Hldgs Interim: Albion (Wg) Bulmer (Wg) First Technology Greens King Smith David S	FRIDAY DECEMBER 13 COMPANY MEETINGS: ABI Leisure, Holiday Inn, Wellington Street, Leeds, 12.00 Belt Brothers, Inverurie Hotel, Perth Road, Dundee, 10.00 Fidelity Special Values, 25, Lovat Lane, E.C. 12.00 Wills & Tattersall, Brighthelm Manor, Brighton, Eves, 8.30 Wolsey, Vines Lane, Drotwich Spa, Worcester, 2.30 BOARD MEETINGS: Fines: Bankers Inv Tst Cragler Tst Interim: M&G Second Dual Tst Moorgate Smaller Cos Inv TR Technology	



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analysts are  
excited and  
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FINANCIAL TIMES SURVEY

Monday December 9 1996

# Valencia

## Analysts are excited and exasperated

Some of Spain's most innovative entrepreneurs and businesses come from Valencia. Reformists in the regional government want to help it make the most of its undoubted assets. But it is also a region riddled with paradoxes, writes Tom Burns

What is one to make of a wealthy, skilled, and entrepreneurial society that spends tens of thousands of working hours a year diligently crafting objects that literally go up in smoke?

Strategically located on the Mediterranean coast where it accounts for 15 per cent of Spain's exports, the densely populated region of Valencia immediately suggests a string of paradoxes.

The annual Las Fallas festival in March, when hundreds of huge and ornate papier-mâché sculptures called *ninots* are turned into funeral pyres amid deafening firework displays in the city of Valencia, is a metaphor for an area that succeeds in both exciting and exasperating analysts.

The region, home to 10 per cent of Spain's population, contains some of the best companies and some of the most interesting business prospects to be found in the country. But its highly diversified economy is frequently hostage to an exacerbated individualism which manifests itself in thousands of small enterprises that take off like rockets only to fizzle out as other rockets rise up to seize the onlooker's attention.

"We have a surfeit of first generation entrepreneurs who start up little busi-

nesses with a low capital base. Individualism is part of Valencia's tradition," says Mr José María Tabares, an executive of Ivex, the regional government's export agency. The spread of small companies is startling; excluding the Ford motor plant which is situated just south of the city of Valencia, the 100 top companies in the region account for only 47 per cent of its exports.

One of the most surprising features on the corporate landscape is that the region has been unable to achieve a knock-on affect from the huge investment by Ford motor company when it built its Valencia car plant 20 years ago. However, an industrial park that was opened this year alongside the plant has finally begun to break down the oasis-like image provided by the Ford factory.

Occasionally, Valencia shoots itself in the foot. Earlier this year, environmentalists blocked a well-funded incinerator project that would have turned the region into the domestic leader for industrial waste management. At least one chemical multinational located in Valencia, which is forced to transport its waste by sea to France, shelved plans to expand its facilities when the incinerator project was abandoned.

On other occasions, the regional government shows quick reflexes. When IBM announced the closure of its local plant 18 months ago, the authorities backed a contract electronic producer, Manufacturers' Services Limited, which managed to increase the business that IBM had walked away from and now runs Spain's second largest computer plant.

The future of this plant constitutes a test case for Valencia's ability to attract inward high-tech investment. Technology transfers will significantly boost the ceramics industry in the region's northern province of Castellón and also the shoe and toy manufacturers that are located in the southern province of Alicante.

The top companies in all three sectors are very modern but they are nevertheless small by international standards. In the main, however, the companies are virtually cottage industries and they prosper because their employees form part of the informal economy and do not pay social security contributions.

One of the region's self-evident paradoxes is that it imports labour from elsewhere in Spain as well as from the North Africa and yet its registered employment is above the national average.

The region's agricultural sector is efficient by European standards but it is only recently that a handful of pioneering companies have begun to invest in value-added initiatives such as fresh orange juice plants that will help the sector to realise its full potential.

A Citrus Futures Market, launched last year in Valencia with the aim of injecting financial stability to local agriculture's main cash crop, is making slow progress in its attempts to attract local growers and middlemen.

About 20 per cent of the region's gross domestic product is accounted for by tourism, but Benidorm, which has grown spectacularly by



Valencia (above): every March, citizens painstakingly fashion huge papier-mâché sculptures (right) for the Las Fallas festival. The ceramics sector illustrates some of Valencia's strengths and weaknesses (Report, Page 3) Pictures: Spanish Tourist Board, Eye Unibet

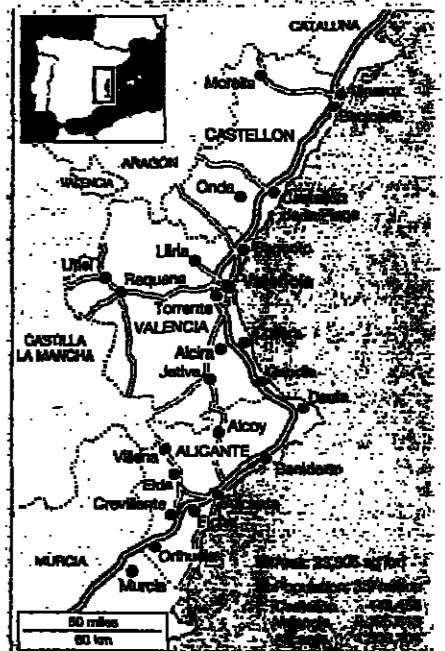


expertly identifying the mass holidays market, is still in the throes of studying possible investment in big leisure products such as theme parks.

Large communities of foreign designers have retired to the region of Valencia but there has been only minimal official interest so far in developing what could be a

lucrative ageing sector business.

The city of Valencia itself, the largest in Spain after Madrid and Barcelona, is the centre for a succession of annual trade fairs and the Spanish capital. It has one of the busiest harbours in the country but still lacks motorway and fast railroad



	1994	1995
Total GDP (Pta billion)	6,940	7,005
Imports (Pta billion)	1,015	1,157
Exports (Pta billion)	1,442	1,625
Principal exports		
Vehicles		18.0%
Agric. products		16.4%
Shoes		11.8%
Ceramics		10.8%

Source: Valencia Chamber of Commerce; Generalitat Valenciana

links to Madrid. Big infrastructure programmes are due to remedy the region's relative isolation in the near future and ease the bottleneck on its export traffic.

Valencia's airport, which has been described as a landing strip among the orange groves, urgently needs to be enlarged. The successful recent start-up of Air Nostrum, a regional airline owned by the region's wealthy Serratos family, has underlined both the airport's present shortcomings and the potential of its future growth.

Valencia city, like many in Spain, has been the victim of past land speculation and of bad urban planning. Its authorities seem, however, to be more interested in building "emblematic" cultural centres the model for a complex that is pretentiously called the "city of arts and sciences" looks like a *Star Wars* space station than in sprucing up the inner city and in restoring its stunning architectural heritage.

And the paradoxes about Valencia go even deeper. Thrifty and productive but also anarchically effervescent, the region works hard and plays hard. The oddity is that *Valencianos* tend to co-operate best among themselves when they are celebrating their fiestas; they come together to painstakingly fashion *ninots* and to form large brass band ensembles that are the boast of every neighbourhood and every village.

"Our economy has emerged from small agricultural allotments and it still has an overdose of individualism," says Mr Rafael Aznar, a senior executive at the port of Valencia who is attempting to build the city's harbour into Spain's main container traffic centre.

"Industry is terribly atomised and it needs to concentrate," says Mr David Baker, a Valencia-based British banker who is seeking to consolidate local venture funds. In common with Valencia's more thoughtful businessmen, they believe

that the region's past boom-and-bust cycles are the result of poor planning by a host of small family companies. The problem is that *Valencianos* rebuild fortunes as rapidly as they lose them, and there is a widely held view that the annual blow-out in Las Fallas illustrates a society that is basically wholly satisfied with the ways things are and therefore unwilling to change.

The new centre-right regional government appears to be aware of the dangers of too much complacency and is anxious to spur a sturdier economy that will allow the formation of larger companies and attract sustained capital inflows. It has introduced fiscal rectitude to the regional budget which is an important step in the right direction and it is strongly pro-business.

The reformists in the regional government want to help Valencia make the most of its undoubted assets. Obviously, they wouldn't dream of tampering with the explosive party tradition.

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## 2 VALENCIA

■ The economy: by Tom Burns

## Caution is understandable

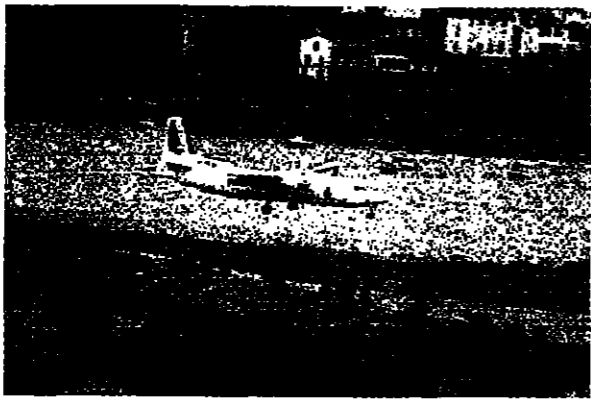
The strategy is to make Valencia an economic hub for the western Mediterranean

When the centre-right Popular party came to power in Valencia midway through 1995, it set about putting the region's finances in order. Mr Eduardo Zaplana's government insists that budget rectitude is the prerequisite for the growth of the local economy.

This priority forms part of a broad platform that favours private enterprise and market forces. The objectives are clear enough but implementing the policies could take time. "After so many years of socialism we have to move step-by-step; we can't overnight change the perception that it is the state's role to fuel all demand," says Mr José Luis Olivares, regional minister for the economy.

The caution is understandable. Mr Zaplana's government has to balance its belief in economic liberalism with the need for sustained public investment and for continued interventionism. Considerable spending is required to improve the region's infrastructure and Valencia's diverse economy needs government-driven restructuring programmes in order to realise its potential.

Austerity framed the new regional government's first budget which trimmed a 1995 deficit of Pta63bn to Pta32bn this year. Mr José Manuel Uncio, who runs public accounts at the Instituto Valenciano de Finanzas, believes that a balanced



Air Nostrum: Spain's fast-growing regional airline. Picture: Julia Fairhead

budget is achievable in 1998 after the approval by Valencia's legislature of further cuts that will reduce the 1997 budget shortfall to Pta11bn. The drive to impose rectitude was boosted by new guidelines that increased Valencia's fiscal autonomy along with that of Spain's other regions. The Valencian Generalitat is now responsible for raising and administering 30 per cent of income tax raised in the area, up from 15 per cent, and the development is welcomed by the regional government's economic team.

"For a start, it means we can act a lot better against fraud," says Mr Javier Quesada, the director-general of economy. Mr Quesada is convinced that official statistics which record registered unemployment at 15 per cent, marginally above the national average, are untrue. "We are definitely well below the national average and we import labour into the bargain."

Increased fiscal autonomy also allows the Generalitat more possibilities for spotting trends and allocating

resources accordingly. Such agility is important for Valencia's economy. It is far more open than is the national economy and it anticipates Spain's economic cycles.

Valencia, like Catalonia, the region's northern neighbour - but unlike Spain's more backward areas - would like as much fiscal autonomy as the central government in Madrid government will permit. There is a strong sense of self-reliance among the Valencianos and their regional government believes that policy planning gains in efficiency the closer it is to ground level.

The public spending is focused on communications and the canals and rivers infrastructure. Railway investment figures high on the agenda because the Generalitat wants to build up rail links to Valencia from the inland towns of Alicante province in the south, where the shoe and toy manufacturers are based, and also from the ceramic and glazed tile producing centres in the northern province of Castellón.

The prestige railway project is a high-speed train to Madrid and to Barcelona which is at the blueprint stage in Madrid's development ministry. Mr Zaplana's government in Valencia is anxious to line up locally-based project finance to put this ambitious investment on the right track. He believes that a proportion of the cost could and should be undertaken by Valencia's private sector.

Earlier this year, agreement was reached on the completion of a motorway between Madrid and Valencia that had long been held up by an environmental dispute. By the end of the century, the road transport infrastructure of the Valencia region will be significantly improved by a motorway to Zaragoza that will link with a new road entry point to France via a tunnel through the middle of the Pyrenees.

One of the features of Valencia's economy is that proper transport infrastructure has lagged behind industrial activity and this suggests that the sudden burst of investments to revamp communications will act as a considerable stimulus to the local economy. The Generalitat sees the transport programmes as part of a strategy that will turn Valencia into an economic hub for the western Mediterranean. The regional government is particularly anxious to build up Valencia's port, which is already Spain's largest container port, and also Valencia's airport, the base of the country's fastest-growing regional airline, Air Nostrum.

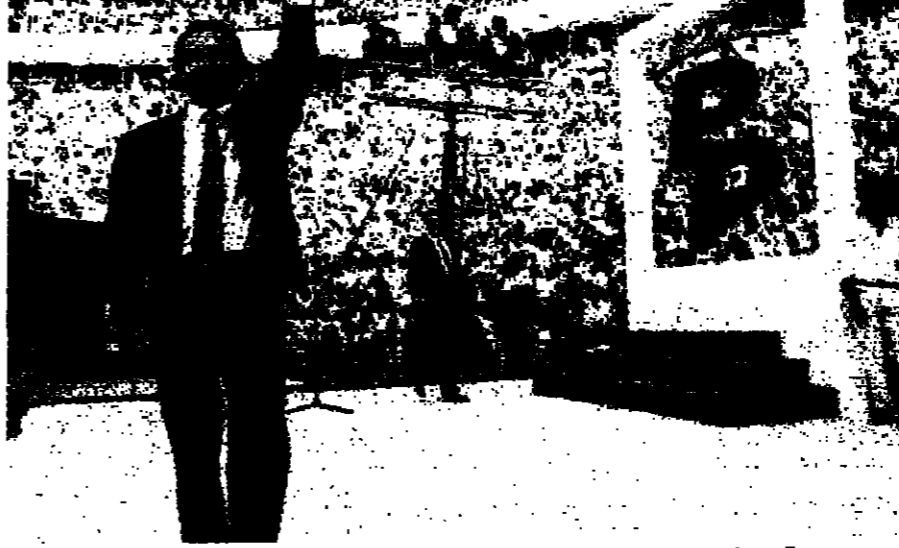
Increased fiscal autonomy and ground-level decision-making have allowed the Generalitat's policy planners to take a long and hard look at how economic activity is organised in the region. Mr Quesada believes in a "bottom up" approach to restructuring industry.

The main problem facing Valencia's multi-directional productivity is that it is based on small and medium companies that are unable to develop economies of scale. The Generalitat accordingly wants to encourage alliances, sales networks and consortiums.

Manufacturers are responsive to initiatives aimed at improved marketing and they are increasingly involved in technology institutes that are funded by the Generalitat and run by local producers. The institutes, which range from the shoe sector to the agribusiness industry across the extensive range of what Valencia produces, allow companies to fine tune their manufacturing processes and test their products.

Valencia's Generalitat has no intention, however, of fostering family-based companies. Its horizons are firmly set on attracting important corporate investments and repositing the region's self-evident productivity around economic "clusters" that bring together suppliers and producers of a given sector.

With a sound credit rating thanks to budgetary discipline, with a firm weighting towards the private sector and greater fiscal leeway, and with an overhauled infrastructure, the mood is confident.



On the road to victory: José María Aznar, prime minister, at a Popular party campaign rally. Picture: Reuters

■ Politics: by Tom Burns

## Shop window for the Popular party

The region is looked upon as a testing ground for centre-right policies

Mr Eduardo Zaplana, chief executive of Valencia's Generalitat, the regional government, was talking about the need to build up civil society and to check the growth of bureaucracy. In the street outside the magnificent 15th century Generalitat palace, a crowd of public sector employees neatly highlighted his concerns by shouting slogans and blowing whistles.

The noisy demonstrators were protesting over a pay freeze that has been written into Spain's 1997 budget, over social spending cuts and over plans to privatise public companies and to whittle down the civil service.

The package of measures has been dictated by the centre-right Popular party government in Madrid but the crowd had sensed, quite correctly, that Mr Zaplana was not only four square behind it but also better placed than most politicians to implement it.

The region of Valencia, once a solid Socialist fiefdom, is increasingly looked upon as the testing ground and the show window for the centre-right policies of Mr José María Aznar, the prime minister.

"The prime minister wants Valencia to succeed and to set the pace for the Popular party elsewhere," says Mr Zaplana. "I'm absolutely convinced of that."

Hand-picked by Mr Aznar four years ago to run the Popular party in the area, Mr Zaplana ousted the Socialist party from the Valencia local government in regional polls that were held in May 1995, a year before Mr Aznar himself narrowly won power in national elections.

The PP's victory in Valencia was held to be a sure sign that the electoral mood was switching to the centre-right and Mr Aznar increasingly chose the area to wind up his campaigns with big rallies in the city's football stadium.

In the event, Mr Zaplana's stock has risen in Valencia over the past 18 months to put his local approval rating at more than 50 per cent, according to regional pollsters, up from the 45 per cent that he gained in the regional elections. Mr Aznar's national rating has in contrast dropped behind that of the Socialists.

The differing fortunes between the regional leader and the prime minister owe a lot to the fact that Mr Zaplana is firmly entrenched in power with a near overall majority in the Valencia parliament while Mr Aznar heads a minority government that is dependent on the support of other parties.

Mr Zaplana, who is confident that he has the socialists on the run and counts on the support of a tame ally, the conservative Valencian Union, can do things.

Mr Aznar, who is conscious that the Socialist party is breathing down his political neck, has to establish trade-offs in the Madrid parliament with the Catalan and the Basque nationalist parties both of which can, and do, dilute PP policy initiatives.

"Here we can implement a real change, a profound one that goes further than just changing the names of the people who run the Generalitat," says Mr Zaplana. "Here

we can introduce political, sociological and economic change."

Mr Zaplana, 40, was considered a political lightweight before he won power, although as mayor of Benidorm he was responsible for sprucing up the massive resort town. He has begun to adopt convictions about rolling back the frontiers of the state. "What we've seen during 13 years of Socialism here is a political party encroaching on society. I want to return to civil society what properly belongs to civil society."

Valencia used to vote Socialist, he claims, by default because the PP, before Mr Aznar revamped it, was far too right-wing.

"People here are liberals, not left-wing," he says - and nor by implication are the

socialists. "Its people like that who are acting politically. I want liberalism on the campus, not professors to act according to the dictates of political parties."

His immediate battle is over slimming down what he describes as an over-bloated administration and introducing incentives. As the public employees continued heckling outside the windows of his office, Mr Zaplana spoke about how the unions back a culture that killed motivation and fostered mediocrity.

It is this sort of language that has made Mr Zaplana something of a hero among the PP's liberal-conservative wing. The party's leading free marketers regularly visit Valencia and Mr Zaplana has drafted onto his team young economists,



Zaplana: ousted Socialist party from Valencia's local government

Valencianos attracted by traditional, paternalistic and clerical conservatism.

He says the main problem is not so much that the socialists governed for so long but that they were responsible for setting up the regional administration when Valencia gained its Generalitat and its self-governing autonomy status at the beginning of the 1980s.

"They built up the bureaucracy from scratch: they made it very ideological and they continue to have power centres everywhere."

Mr Zaplana tackled alleged political bias in the regional television service which was set up by the socialists and is funded by the Generalitat in a blatantly partisan fashion by appointing his closest political aide to be its director-general. Now he views the universities and the local savings banks as two areas that are overtly politicised and he is accused by opponents of seeking to undermine their independence.

A snub by a university rector who refused to let him preside over the start of the current academic year ran-

sociologists and journalists who are well versed in buzzwords such as "choice" and "entrepreneurship".

Already Mr Zaplana has presented these supporters with a singular prize in the form of an expedient solution to hospital waiting lists in the Generalitat-run public health service. All who had waited more than 90 days for an operation could apply to be treated in a private clinic which had established a contract for providing services funded by the regional government.

Mr Zaplana counters criticism that he is undermining the public health system by saying that a 90-day waiting list of 30,000 patients disappeared within six months. He has nailed his colours firmly to the private sector mast and in a society such as Valencia's that is highly individualistic and which puts a high store on entrepreneurial values, his policies look set to reap dividends.

Mr Aznar, the prime minister, might well look enviously at his party's shop window in Valencia.



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KYOCERA, world leader in high-tech ceramics, continually develops new uses for its technology in the IT and automotive industry, medicine, electronics and metal processing.

Club Med risks takeover as share pact ends

By Andrew Jack in Paris

The possibility of a takeover of Club Mediterranée, the French leisure group, will intensify sharply from this morning after the dismantling at the end of last week of a six-year shareholder pact which controlled more than 35 per cent of the voting rights.

Those involved are Exor, the investment holding company owned by the Italian Agnelli family; Caisse des Dépôts et Consignations, the French state-controlled financial institution; Rojaco, the Saudi Arabian investment company; Nippon Life, the Japanese insurance company; and the Compagnie Financière Benjamin & Edmond de Rothschild, the French financial institution.

At the time of the capital increase, a sixth shareholder, the Japanese retail group Seibu Saitson, which still held 2.2 per cent of the voting rights the last time the information was disclosed, withdrew from the pact.

Mr Antoine Cacin, Club Med's managing director, said: "The shareholders want more freedom at a time of volatility in the financial markets. They have confirmed to us that they have no intention of selling their shares."

Med's chairman, dismissed the idea over the weekend, saying there had been rumours of a takeover for 20 years.

Club Med's shares closed on Friday at FF317 (\$60), having dropped sharply since the summer from a peak of more than FF500. They fell by 17 per cent in late October after the group issued a warning that second-half operating profits would be lower than expected.

Some wind left in Europe's financial sails

Underlying factors suggest markets are not overstretched

Mr Alan Greenspan, chairman of the US Federal Reserve, sent world stock markets into a spin on Friday by talking about "irrational exuberance" in financial markets. His remarks related to Wall Street, but what about the European equity markets, 11 of which reached new peaks last Tuesday, with Paris and London close behind?



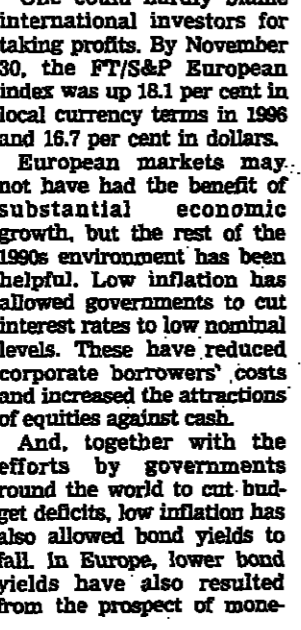
Ironically, European and Asian markets suffered more than the US after Mr Greenspan's comments. Tokyo dropped 3.2 per cent, Hong Kong 2.9 per cent and the French, German and UK equity markets fell 4 to 5 per cent at worst.

One could hardly blame international investors for taking profits. By November 30, the FT/S&P European index was up 18.1 per cent in local currency terms in 1995 and 16.7 per cent in dollars.

European markets may not have had the benefit of substantial economic growth, but the rest of the 1990s environment has been helpful. Low inflation has allowed governments to cut interest rates to low nominal levels. These have reduced corporate borrowers' costs and increased the attractions of equities against cash.

And, together with the efforts by governments round the world to cut budget deficits, low inflation has also allowed bond yields to fall. In Europe, lower bond yields have also resulted from the prospect of monetary union: investors have flocked into previously high-yielding markets such as Italy and Spain in the hope that foreign exchange risk will disappear if the countries join a single currency.

Inflation has tumbled in the 1990s, bringing nominal yields down. But real yields remained high. They have recently started to fall. The yield on the 30-year US Treasury bond has dropped from 7.2 per cent in July to 6.5 per cent, while US inflation has continued to hover around 3 per cent.



Swedish bank rejects minister's charges

By Greg Melvor in Stockholm

Stadshypotek, Sweden's biggest mortgage bank, has hit back at accusations by Mr Erik Asbrink, Swedish finance minister, that it went behind his back during merger negotiations with the insurance group Skandia and that it recommended the deal merely to protect its executives' jobs.

Mr Asbrink's remarks included a charge that Stadshypotek directors had undermined the government's action of its 34 per cent stake in their bank, valued at SKr7.7bn. He also suggested they were "rigging the business" to ensure jobs for themselves in the merged company.

The bank said it had repeatedly requested meetings with Mr Asbrink and finance ministry officials in the run-up to the merger announcement. The ministry had refused to read Stadshypotek's analysis of the proposal and had tried to force it to reject Skandia's approach, even threatening legal action.

Mr Bergquist said Stadshypotek's board had recommended the Skandia bid in the interests of all shareholders, not just the government. He dismissed as ridiculous Mr Asbrink's claim that executives were using Skandia to save their jobs.

Officials met representatives of Stadshypotek and Skandia on Friday, for the first time since the merger announcement, to discuss the terms of the offer.

Table with 2 columns: Base lending rates, Company meetings, Dividend payments, FT/S&P-A World Indices, FT Guide to currencies, Foreign exchanges, London recent issues, London share service, Managed-fund service, Money markets, New int bond issues, World stock mkt indices.

Table with 2 columns: Alcatel, American Airlines, BCCI, British Airways, British Gas, British Land, CIC, Canadian Airlines, Chubb Security, Club Mediterranée, Colonial Mutual, Compass, Daewoo, Europarm, GAN, Ghana Telecom, Greenalls, IBC, James Hardie, Lagardère, London Electricity, Merck, NFC, NTT, Pearson, Primecrown, Scottish Hydro, Siarella, Slat, Smith (David S), Smith/Olne Beocham, Stadshypotek, Swiss Re, Thomson-CSF, Tractebel, Veba, Yorkshire Elect.

Private equity and venture funds 'give best returns'

By Katharine Campbell in London

The best private equity and venture capital funds have produced higher returns than other forms of investment, the first pan-European performance study shows.

It also underscores how management buy-outs outperform early-stage investments because the latter's returns take longer to appear.

The period would have returned 10.1 per cent. Among other findings, while MBOs produced the highest returns, early stage investments fared considerably better in the hands of top fund managers.

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INSIDE

Pearson

Pearson, the international media group, is acquiring 51 per cent of two South African business publications, Business Day and Financial Mail, in a deal worth \$57.5m (\$18.9m).

Canadian

Canadian Auto Workers Union negotiators are to recommend to members a restructuring plan for Canadian Airlines International, allowing the troubled Calgary-based carrier to continue flying.

CIC

France is considering relinquishing the privatisation of CIC, the state-owned banking network, in spite of the difficulties that caused the sale to be pulled last month.

Fund Management

Iniro, the financial services watchdog, clearly shows how the UK's fund management sector is changing. Set up under the 1986 Financial Services Act, Iniro's senior board now looks more like that of a multinational than a state regulator.

Global Investor

Non-US investors have largely missed out on Wall Street's rise. As the Dow powered on, overseas funds kept hoping for a correction that would allow them back into the market without losing face.

Window for far party



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COMPANIES AND FINANCE: UK

Pearson expands in South Africa

By Raymond Snoddy
Pearson, the international media group which owns the Financial Times, is acquiring 60 per cent of two South African business publications...

television, will also be included in the arrangement. African Business Channel already a 50:50 partnership between Time Media...

through the publishing group Recoleto. The South African deal, which will be earnings enhancing from the outset...

Pearson's attempts to buy Het Financieele Dagblad in the Netherlands are going less well. The company will this week review the situation...

Mr Phillip Thorpe, chief executive, is a New Zealander, and both Mr Jim Fleming, director of Admissions, and Mr Dan Waters, director of monitoring and enforcement, are Americans...

Watchdog adopts aggressive stance

William Lewis examines the changes afoot at Imro, the UK's financial services regulator

Clear signs of how the UK's fund management industry is changing can be found at Imro. Set up under the 1986 Financial Services Act, Imro's senior executive team looks more now like the board of a multinational than a staid UK financial services regulator.

Mr Phillip Thorpe, chief executive, is a New Zealander, and both Mr Jim Fleming, director of Admissions, and Mr Dan Waters, director of monitoring and enforcement, are Americans.

Such tensions were illustrated last month when Mr Thorpe publicly criticised Deutsche Bank's announcement that it was planning to transfer supervision of the UK-managed retail funds of Morgan Grenfell Asset Management to its German investment subsidiary.

British Gas talks to focus on Morecambe

Negotiations between British Gas and its main North Sea gas suppliers over revising take-or-pay contracts are expected to focus increasingly on the company's Morecambe Bay fields, the biggest single gas reserve in the UK.

Why surrender may be a boon

BA and American face losing 168 slots. Motoko Rich reports

Officials of the UK Department of Trade and Industry will face a barrage of lobbying over the coming weeks from airlines opposed to the planned alliance between British Airways and American Airlines.



Bob Aying: 'the permanent, unconditional divestiture of slots is unprecedented'

Between now and January 10, BA and other interested parties will be invited to give their views on the proposed undertakings, which involve the surrender of 168 of BA and American's weekly take-off and landing slots - representing 84 flights - at London's Heathrow airport.

Mr Bob Aying, BA's chief executive, said on Friday that "the permanent, unconditional divestiture of slots is unprecedented, and, if done, it must be on the basis of fair market value".

flights during peak times of the day and week. Value would also be ascribed to the transatlantic route for which the acquiring airline would want to use the slot.

atlantic slots, but will be permitted to sell off unprofitable or lower yielding slots to competitors, who would then be required to turn them into slots used for transatlantic routes.

There have been suggestions that both the north and south fields could be sold. The book value of the two fields is about £1.5bn, (£2.46bn) although industry consultants Wood Mackenzie have estimated the net present value at closer to £2.7bn, based on the current contract price of 24p a therm.

United Airlines, which already has slots at Heathrow, said: "We are happy to compete with the alliance but it has to be on an equal basis and at the moment 168 slots is not going to do it."

BA said calculations on fair market value would have to take into account how much the airline had invested in the staff, ground facilities and aircraft to run the routes associated with the slots.

The DTL, however, indicated it did not oppose a slot auction. Furthermore, it is understood the carriers do not have to surrender trans-

atlantic slots, but will be permitted to sell off unprofitable or lower yielding slots to competitors, who would then be required to turn them into slots used for transatlantic routes.

Interest in the future of the fields was heightened after British Gas announced last week that it had successfully renegotiated its gas sales contracts with British Petroleum, one of its main suppliers. The deal was thought to have cost British Gas about £250m.

The DTL said yesterday it did not, in principle, see any reason why the airlines should not be allowed to sell the slots for a profit.

The value would also have to take into account whether or not they were used for

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COMPANIES AND FINANCE

Sparks fly over Stadshypotek merger plan

When two of Stadshypotek's executives arrived at the Swedish finance ministry in Stockholm to present their bank's planned merger with Skandia, the reception was not as they expected.



Erik Asbrink, finance minister: no confidence in the board

"secret" on arrival to keep it out of the public domain, elicited no response. Four days before the merger announcement, Mr Bertil Aberg, Stadshypotek managing director, and Mr Christer Bergquist, deputy managing director, were called to a meeting at the ministry with Mr Renell.

NEWS DIGEST

Colonial Mutual listing approved

Colonial Mutual, the Australian-based life office which also has a large number of policyholders in the UK and New Zealand, has received formal approval from the Supreme Court of Victoria to list its shares on the Australian and New Zealand stock exchanges in the first half of 1997.

Setback for James Hardie

James Hardie, the Australian building materials group, saw after-tax profits tumble 36.1 per cent to A\$14.7m (US\$11.7m) in the six months to end-September, and warned that the immediate outlook for its Australian operations was bleak.

Sket may find buyer in Iran

Sket, the troubled east German engineering company, could be saved by an Iranian buyer following a meeting between Mr Hossein Mahdoui, the Iranian minister for mining and metallurgy, and Mr Klaus Schucht, the economics minister of Sachsen-Anhalt, where it is located.

Manila puts price on IBC

The auction of the Philippine state-run International Broadcasting Corporation (IBC) due at the end of the month has had a minimum price set of 2bn pesos (\$76m). Fourteen bidders, including Manila Broadcasting Company and MD Bondoc and Company, have expressed interest in acquiring the television station.

FT/S&P World Indices

The committee which oversees the FT/S&P-Actuaries World Indices has agreed at its quarterly meeting to add 34 US constituents. It has added four constituents and deleted two in Sweden; added five and deleted three in Denmark; added seven and deleted one in Norway; and added seven and deleted three in Finland.

Swiss Re likely to beat forecasts

By William Hall in Zurich

Swiss Re, the world's second-biggest reinsurance company, expects after-tax profits for 1996 to increase by "significantly more" than 20 per cent, implying a figure close to SFr1.4bn (\$1.1bn).

lot to the reshaping of the business under Mr Lukas Muhlmann, 46, the outgoing chief executive, and a benign business environment. Strong financial markets have boosted returns on the group's SFr1.7bn investment portfolio, and the continued absence of large-scale natural catastrophes and big individual claims, has led to an improvement in the underwriting result.

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COMPANIES AND FINANCE

France looks at relaunching CIC sale

By Andrew Jack in Paris

The French government is considering relaunching the privatisation of CIC, the state-owned banking network, in spite of the difficulties which caused the sale to be pulled last month.

unacceptable, and a second embarrassing judgment last week blocking the government's preferred candidate for the sell-off of Thomson, the electronics and defence group.

potential acquirers than others. However, the move could threaten the strong identity of CIC and the important commercial links between its regional members, as well as jeopardising its partnership with GAN for the sale of life assurance, an arrangement which had to be preserved under the conditions of the sell-off until now.

participations linked to strategic alliances between regional CIC banks and suitable financial institutions from other European countries. The discussions come at a time of intense uncertainty over the future of CIC, after the controversial privatisation process triggered widespread protests from employees and powerful local politicians, who see the bank as an essential component in regional economic development.

Yoncourt, head of CIC. Both men had publicly criticised the candidates to acquire the bank, Société Générale and Banque Nationale de Paris. Mr Didier Pfeiffer, deputy chairman of UAP, the French insurer subject to a takeover by its rival AXA, was on Wednesday formally appointed by the government as Mr Bonnaud's replacement.

CAW backs Canadian Airlines rescue plan

By Robert Gibbins in Montreal

Canadian Auto Workers Union negotiators have backed a restructuring plan for Canadian Airlines International, allowing the troubled Calgary-based carrier to continue flying. CAW had warned it would have to seek protection from creditors if the plan was not given the go-ahead.

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THE FRAUD REPORT Do you know how much money your company is needlessly throwing away each day? It could be more than the profit you are making.

Veba raises investment targets

By Wolfgang Münchau in Essen

Veba, the German energy and telecommunications group, plans to invest DM32.3bn (\$21bn) between 1997 and 2001, an increase of almost DM6bn on the company's previous five-year projection for 1996-2000.

that is twice as high as planned. About 41 per cent of the foreign investments are earmarked for Europe, and 20 per cent each for North America and Asia.

of a strong performance in upstream activities and mineral oil offset by an "extremely dissatisfying" performance by the refinery business. It said the electricity division performed well because of higher exports, an increase in weather-related demand and greater efficiencies.

Wireless, the UK group. The three companies are still working on details of the contract, and expect to sign the formal agreement in the next few weeks.



Ulrich Hartmann, attacked government on regulation

Tractebel threatens Hungarian withdrawal

By Virginia Marsh in Budapest

Tractebel, the Belgian utility, is threatening to pull out of a large power generation project in Hungary. It may also take legal action against the authorities for not honouring commitments made when the sector's privatisation began last year.

lish a long-term tariff and regulatory framework for the sector and at delays in promised price rises. They say that recent price increases are not sufficient.

Dunamenti power plant last year. After the state declined to reinvest 1995 dividends in the company, it lifted its stake to 50.3 per cent by acquiring employees' shares. Other investors in the sector include RWE and Bayernwerk of Germany, AES of the US and the UK's PowerGen.

to make an 8 per cent return. It has yet to announce how the increases will be divided between generation and distribution companies, but investors, especially in power plants, say they expect further losses.

Staff will vote next week whether to accept pay cuts averaging 3.7 per cent, and a federal government promise to study the problems of Canada's airline industry. The government has dropped its demand for a secret ballot.

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Petrie Parkman & Co.

Rodman & Renshaw, Inc.

Schroder Wertheim & Co.

United Kingdom and the Republic of Ireland  
140,750,000 Shares

SBC Warburg  
A Division of Swiss Bank Corporation

CS First Boston

Istituto Mobiliare Italiano

ABN AMRO Rothschild

NatWest Securities Limited

Cazenove & Co.

Istituto Bancario San Paolo di Torino

Schroders

Rest of the World  
128,750,000 Shares

Morgan Stanley & Co.  
International

CS First Boston

Istituto Mobiliare Italiano

ABN AMRO Rothschild

Deutsche Morgan Grenfell

Nomura International

Paribas Capital Markets

Indosuez Capital

BBV Interactivos, SVB

Creditanstalt Investment Bank AG

Daiwa Europe Limited

Robert Fleming & Co. Ltd.





MARKETS: This Week

NEW YORK By Richard Waters

The recovery in US bond and stock markets on Friday after a heavy early sell-off may suggest that equilibrium will have returned to the markets by this morning's opening.

The economic backdrop, at least, remains generally favourable. It was the news on Friday that employment levels in November rose far slower than expected that helped the bond market recover from its early losses.

But, after nudging 6.25 per cent earlier in the week, the long bond looked to have fallen back into a new trading range, with expectations that the Fed will move to lower interest rates now put on hold.

Inflation data later this week are expected to confirm the generally benign picture for the bond market. The producer prices index, due on Wednesday, is expected to show a rise of 0.3 per cent for November (0.2

LONDON By Philip Charlton

After the battering they took on Friday, the UK's equity and bond markets will be hoping for a calmer period. London was hit, like other markets, by the reaction to the comments of Mr Alan Greenspan, chairman of the Federal Reserve, about "irrational exuberance" in asset markets.

The FTSE 100 index rebounded from a 163-point fall to close 88 down, but nevertheless lost touch with the 4,000 level: long gilts fell by 1 1/2 points. Much will depend on whether the US market suffers a continued reaction to Mr Greenspan's comments, or rebounds, as it has so often before.

The latest political developments, with Mr John Goss showing a Conservative whip, and ushering in a minority government did little to steady the market's nerves. Gilts had already been hit by a disappointing auction in the middle of the week and the crest wave will remind investors of the imminent general election.

Interest rates remain an important issue for the market, and last week traders were cheered by some low-key remarks on the subject from Mr Eddie George, governor of the Bank of England. On

FRANKFURT By Wolfgang Münchau

The market tumbled just when even the most ardent pessimists became overwhelmed by euphoria. Some analysts had already eyed a DAX index of over 3000, when Alan Greenspan, the governor of the Federal Reserve, gave his warning.

The market did recover in after-hours trading on Friday in the light of "good" US unemployment figures - meaning a rise in unemployment. But the 4.1 per cent fall in the DAX during official trading still marked the largest decline since the aborted coup attempt against President Mikhail Gorbachev.

A growing number of analysts are forecasting further weakness, especially as investors take profits at the end of the year. A soft landing is what analysts have in mind - a short pause before the next bull run - and that may well happen as long as there are no nasty shocks such as an unexpected surge in inflation in the US or in Germany. It is apparent that pressure is slowly building towards higher interest rates as the German economy emerges from the mini-recession of a year ago.

The official line remains that interest rates are not likely to move one way or the other for some time, but it

TOKYO By Gwen Robinson

Markets have now received confirmation that Japan's economy is still on a modest recovery track, albeit a shaky one. Leaving aside the impact of Fed chairman Mr Alan Greenspan's comments on Friday, Japanese equities are likely to stay in a narrow range this week, with the key 225 index hovering either side of the 20,500.

Bonds are expected to show more volatility. Third-quarter GDP figures released last week, together with the Bank of Japan's quarterly tankan survey in the preceding week, suggest new and still tentative momentum in such vital areas as consumer spending, industrial production and exports. Forecasts by economists for real GDP growth for 1996 range from about 3.2 per cent to 3.5 per cent.

Economic indicators due this week include Wednesday's release of the October current account report, which is expected to show only a small decline or possibly a slight increase, the first since August 1995. Department store sales figures out later in the week are likely to show a revival in consumption from weakness over the summer.

Based on the recent economic data, the Bank of Japan has no reason to tighten policy yet... even if the Fed were to tighten its policy, there is no reason to expect the BoJ to follow suit," said Mr Peter Morgan, economist at James Capel.

COMMODITIES By Richard Simon

Spotlight on pulp and paper

The uncertain outlook for pulp and paper markets and friction between producers and their customers are likely to preoccupy industry experts gathering in London for a conference this week. After steep price declines earlier this year, the market for pulp and most grades of paper remains in the doldrums. Producers have struggled to push through planned price increases in the face of slack demand and high inventories.

The market for packaging papers has recently picked up. But prices for some other grades, notably newsprint and fine papers, are still falling. North American newspaper buyers currently pay as little as \$450-\$500 a tonne, down from the 1995 peak of \$750. Export orders are said to have fetched even lower prices as producers seek every possible outlet for sales, rather than shut down machines.

Analysts predict a modest upturn for most paper grades in 1997, especially in North America. Although demand in Asia could pick up, prospects are clouded by the commissioning of a slew of new pulp and paper mills.

The price volatility of the past two years - pulp prices first doubled, then halved - has strained relations between producers and customers. Union Bank of Switzerland noted in a recent report that

OTHER MARKETS Compiled by Michael Morgan

Friday's shake-out for stock markets worldwide sent the volatility indices spinning upwards to new highs and left investor sentiment in tatters.

PARIS Even before Friday's wave of selling, the Paris bourse had been having a bad run, unsettled by political and currency worries which the surprise veto for the Lagarde takeover of the Thomson group only served to heighten.

Domestic considerations may take a back seat to global events this week, but the former will remain a potent force. Talk of a government reshuffle persists, and investors will continue to track the franc's performance on foreign exchanges.

STOCKHOLM Bid speculation and a strong recovery for the paper sector drove the market to new highs last week, which Friday's heavy shake-out did not entirely unwind.

potential target for Roche, the Swiss drugs group which is being bought by Novartis, was cited by many observers as in need of a big deal. Roche's Swiss rivals Ciba and Sandoz plan to merge their drug operations early next year to form the world's second-biggest drugs combine.

ZURICH Tag Heuer, the sports watchmaker, whose shares have performed dimly since they were floated in September, will be hoping to revive investors' confidence when

HONG KONG Hong Kong's stock market looks set for a rocky ride

this week, writes Louise Lucas in Hong Kong. Some traders expect a further sell-off, following Friday's 2.8 per cent slide for the benchmark Hang Seng index.

Dealers reckon the index could fall a further 300 points, but most see support at 12,700. The index closed on Friday at 13,102.73, after touching an intra-day low of 12,570. But more bullish dealers point to the rash of upcoming new listings, two of which are said to be more than 100 times subscribed, and the recent high levels of activity.

Recent new issues have made strong debuts, and turnover in the market as a whole has been heavy. It surged to HK\$3.5bn on Friday, while November's daily average was HK\$9.4bn, up 35 per cent October.

CURRENCIES By Simon Kuper

Emu stability pact meeting focus of attention

Foreign exchange traders will this week be watching Dublin Castle, where European Union leaders will gather to try to thrash out a stability pact for European monetary union.

The pact would lay down fiscal targets that member states joining Emu must meet for years to come. If the politicians agree - as French and Italian politicians have hinted they will - that would help moves toward Emu, thus probably weakening the D-Mark. If they agree a loose pact, presaging that the future single European currency would be softer than the D-Mark has been, that could weaken all currencies likely to join Emu.

Germany has been almost alone in calling for a strict pact. But German Chancellor Helmut Kohl

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 6, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table with columns for Country, Currency, and Exchange Rate against US\$, D-Mark, Yen, and S. 100. Includes a sub-table for GREECE with various economic indicators.

CROSS-BORDER M&A DEALS

Table with columns: BIDDER/INVESTOR, TARGET, SECTOR, VALUE, COMMENT. Includes deals like KPN (Netherlands) and TNT (Australia), Saga Petroleum (Norway) and Sante Fe (UK).

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE. Includes contact information and a list of market indicators for Greece.

COMPAGNIE FINANCIERE OTTOMANE. 23, avenue de la Porte-Neuve, LUXEMBOURG. R.C. Luxembourg B 44561. Includes details of an extraordinary general meeting on Monday 23 December 1996.

MARKETS: This Week

EMERGING MARKETS By Sophie Roel

B-shares find new lease of life

Just weeks after sinking to historic lows in Shanghai, China's B-shares - the only mainland-listed securities in which foreigners are allowed to invest - last week reached their highest level in more than two years.

Brokers are quick to point out that there has been little change in market fundamentals. Instead, they attribute the rise to renewed confidence among the Chinese that they can buy B-shares without being punished.

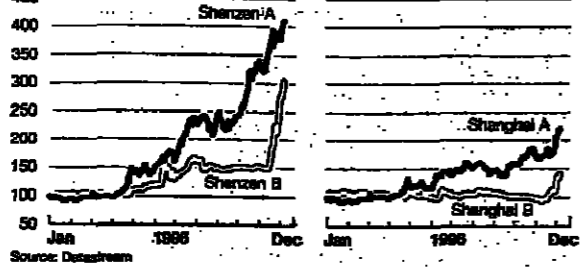
Officially, domestic buying of the foreign currency-denominated shares is banned. In less than a month, Shenzhen listed B-shares have risen by more than 50 per cent to their highest levels since early 1993.

Having made money in Shenzhen, investors quickly turned their attention to Shanghai, where the B-share index closed last week at 66.69 - not only well ahead of the historic low of 44.87 on November 11, but also well above the 50 level around which it has been hovering for nearly two years.

Even last Friday, Shanghai and Shenzhen remained insulated from the influences that left many other markets tumbling after Mr Alan Greenspan, chairman of the US Federal Reserve, warned about the irrational exuberance of financial mar-

China markets

Indices rebound



Shanghai added another 3.9 per cent and Shenzhen 5 per cent.

However, while foreigners are taking part, by far the bulk of new interest is being generated by domestic investors. One broker estimates that Chinese investors accounted for around 70 per cent of Shanghai B-share turnover last week.

"There has been no official announcement," said one Chinese broker in Shanghai, referring to the government's attitude to domestic buying of B-shares. "However, in visiting securities firms, authorities have indicated they are prepared to be flexible about the ban."

Local investors say the shares are not only cheap, but will certainly rise when, as the government has promised, the two share types are eventually merged.

As market turnover soared last week, this appeared to have been achieved.

Chinese investors need little encouragement. Beyond bank deposits, savers have few other outlets - a factor which has also contributed to the impressive performance of the domestic investor A-share market this year.

As they now trade at large discounts to A-shares, B-shares are particularly attractive. Before last week's rally, a B-share in Shanghai cost an average 75 per cent less than an A-share in the same company - in spite of their carrying the same voting rights and paying the same dividends.

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Renewed domestic interest has favoured Shenzhen. As a special economic zone with a mandate to "experiment" with economic reforms, it has been able to adopt a more free-wheeling approach to central government directives - including the ban on local B-share buying.

Shenzhen is also across the border from Hong Kong, making access to the Hong Kong dollars needed to buy its B-shares relatively straightforward. Shanghai B-shares are in US dollars.

Mr John Crossman of Jardine Fleming Securities in Shanghai, believes this is enough to account for Shenzhen's more impressive performance. "It comes down to the fact that Hong Kong dollars are easier to get hold of than US dollars," he says.

However, the Shenzhen authorities this year have also taken the lead in efforts to boost investor interest in their stock market.

Shanghai's complacency - that its destiny as the mainland's commercial and financial hub is sealed and companies would hence continue to list there - has given way to concern, as Shenzhen has lured a number of state-owned enterprises to raise capital. It has seen nine new counters listed this year, against Shanghai's four.

Both markets are under pressure to boost the size of individual floats, and the market capitalisation of the B-share market as a whole. With 85 companies listed, total market capitalisation of both markets is just \$4.2bn.

Major foreign institutional investors say this is one of the main reasons they have been reluctant to buy mainland-listed Chinese stocks. And brokers point out that, in spite of the current surge, not enough has changed to justify a return of confidence in the B-share markets.

In the long-term, structural issues will have to be addressed before foreign investors take China's stock markets seriously. In the meantime, foreign investors are enjoying a bit of a "flatter", according to one broker - before the government again steps in to dampen local speculation.

Australasia feels weight of Japanese retail

Virtue is not always a rewarding pursuit. Australia's new-found reputation as a low inflation country, where high real interest rates can still be secured, has driven its currency to levels few would have envisaged a couple of years ago.

Last week, the Australian dollar topped US\$0.82, its highest for six years. This compares with less than US\$0.65 in late 1993, when a former Labor Government's budget was stalled in parliament - an appreciation of more than 25 per cent.

Almost immediately, the walls from exporters intensified. Vainly, ministers pointed to the benefits from cheaper imports, and general deflationary impact of a stronger dollar. Even the prime minister conceded that the high dollar was "a pain in the neck for some people", before adding "For others, it's a good thing."

None of this was news across the Tasman, where the New Zealand dollar has been on an upward roll for slightly longer, appreciating by about 20 per cent over the last four years. On Thursday, exporters there held an emergency summit to discuss the situation and debate possible remedies.

Some resource-based export businesses, from horticulture to fishing, were said to be "close to the wall".

Foreign exchange traders see an underlying common cause in this - the wave of Japanese retail money moving into offshore markets in pursuit of higher yields over the past 18 months.

Australia and New Zealand have been prime targets. For slightly different reasons, both offer attractive real returns, and their traditional susceptibility to inflation seems to have receded.

These inflows first became noticeable in mid-1995. Australia's Reserve Bank, reviewing the developments earlier this year, pinpointed two causes. First, it noted regulatory changes in Japan which made bonds denominated in foreign currencies more attractive (and accessible) to Japanese investors.

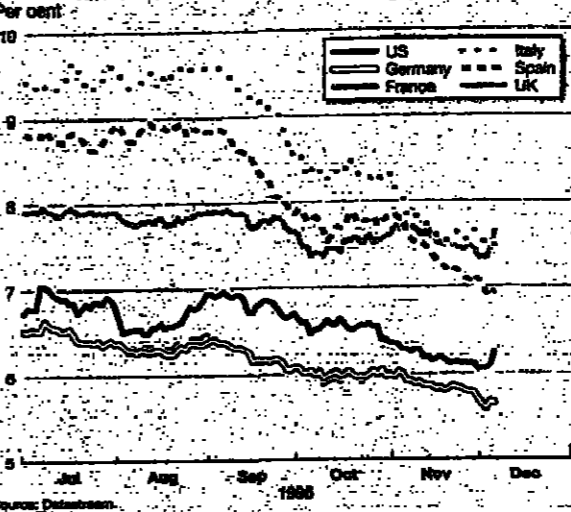
Second, it pointed to the large number of high-coupon Japanese debentures which had begun to mature. Most had been issued in the late 1980s and early 1990s, when Japanese domestic interest rates were higher. Replacement investment opportunities were needed.

Since then, the capital market repercussions for Australasia have been dramatic. Australian dollar eurobonds on issue offshore rose by around A\$25bn to A\$67bn in 1995, for example, had been issued in the late 1980s and early 1990s, when Japanese domestic interest rates were higher. Replacement investment opportunities were needed.

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10-year benchmark bond yields



INTEREST RATES AT A GLANCE

Table with columns for USA, Japan, Germany, France, Italy, UK and rows for Discount, Overnight, Three month, Six month, Five year, Ten year interest rates.

More recently, some of the smaller authorities have also joined the throng. Last month, for instance, the Australian Capital Territory government made its first foray into offshore capital markets with a Y6.5bn three-year dual-currency issue - although, unusually for an Australian borrower, it offered repayment in NZ\$.

A few Australian issuers have even emerged from outside the main government and banking sectors. Two weeks ago, the Australian Wheat Board, the industry's single-desk export arm, announced a Y20bn dual-currency issue, a marked departure from its practice of borrowing in the commercial paper market. It last ventured into the eurobond market about eight years ago.

Political uncertainties in both Australia and New Zealand, meanwhile, have had little impact on this yield-driven Japanese interest. As far as Australia is concerned, most traders concede that the inflows had begun well before the federal election in March, and could

hardly be attributed to the installation of the new fiscally-conservative government. More remarkably, the two-month political hiatus in New Zealand - which followed an October 12 election and left the country in the hands of a caretaker administration - has not seriously ruffled either the capital or foreign exchange markets. The New Zealand dollar has actually strengthened.

The big question is what happens now. The Australian dollar - like other dollar-bloc currencies - saw a sharp hiccup mid-week, although this was put down to trading by New York-based funds. But some analysts think that if the Japanese authorities begin to feel more comfortable with the yen's level, and domestic interest rates rise, the inflows could start to fall away - although probably fairly gradually.

"The focus now will be on the Japanese authorities. After all, they were successful in depreciating the yen this year," says Mr John Brown of Macquarie Bank.

ING BARING SECURITIES EMERGING MARKETS INDICES

Table with columns for Index, 05/12/96, Week on week movement, Month on month movement, Year to date movement. Lists various emerging market indices like Latin America, Europe, Asia, etc.

All indices in \$ terms, January 7th 1992=100. Source: ING Baring Securities.

NEW INTERNATIONAL BOND ISSUES

Table with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch, Book-verse. Lists various international bond issues from different countries.

Advertisement for Procter & Gamble featuring the text 'TOP STUDENTS WILL MANAGE AN INTERNATIONAL BUSINESS FOR ONE WEEK'.

Advertisement for Procter & Gamble 1997 EURO FINANCIAL SEMINAR PARIS, including details about sessions, dates, and contact information.

Advertisement for GNI All Futures, Options & Margined Forex, contact James Allan.

Advertisement for TENFORE 24 HRS surges-quickly, providing financial news and analysis.

Advertisement for THE FT GUIDE TO WORLD CURRENCIES, published in Money's magazine.

Advertisement for INFORMATION ON TOP TECH ANALYSIS PACKAGES, offering advisory services.

Advertisement for Linnco, a one-stop brokerage connection for futures, options, and forex markets.

Advertisement for Linnco Europe Ltd, providing contact details for their London office.

Advertisement for Linnco, featuring their phone number +44 (0) 171 382 9429.

Advertisement for Linnco, providing contact information for Jeremy Nelson.

Advertisement for Financial Regulation Report, a monthly newsletter covering worldwide regulatory developments.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Dec 6, Country, Bid/Ask, Change, etc. Lists various countries like Australia, Belgium, Denmark, etc.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Dec 6, Country, Bid/Ask, Change, etc. Lists various countries like Australia, Belgium, Denmark, etc.

WORLD INTEREST RATES

Table with columns: Money Rates, Dec 6, Over night, One month, etc. Lists interest rates for various countries.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Table with columns: Dec 6, Country, Bid/Ask, Change, etc. Lists exchange rates for various countries.

FT GOLD MINES INDEX

Table with columns: Dec 6, Bid/Ask, Change, etc. Lists gold mine prices.

EURO CURRENCY INTEREST RATES

Table with columns: Dec 6, Short term, 7 days notice, etc. Lists Euro interest rates.

D-MARK FUTURES (DM) \$125,000 per DM

Table with columns: Dec, Mar, Jun, Open, Sell price, etc. Lists D-Mark futures prices.

YEN FUTURES (Yen) \$125,000 per Yen

Table with columns: Dec, Mar, Jun, Open, Sell price, etc. Lists Yen futures prices.

LONDON RECENT ISSUES: EQUITIES

Table with columns: Issue, Amt, Mkt, High, Low, etc. Lists recent equity issues in London.

THREE MONTH EURO-DOLLAR (DM) \$1m points of 100%

Table with columns: Dec, Mar, Jun, Open, Sell price, etc. Lists three-month Euro-Dollar rates.

STERLING FUTURES (GBP) £25,000 per £

Table with columns: Dec, Mar, Jun, Open, Sell price, etc. Lists Sterling futures prices.

JAPANESE YEN FUTURES (Yen) \$125,000 per Yen

Table with columns: Dec, Mar, Jun, Open, Sell price, etc. Lists Japanese Yen futures prices.

UK INTEREST RATES

Table with columns: Dec 6, Over-night, 7 days notice, etc. Lists UK interest rates.

RIGHTS OFFERS

Table with columns: Issue, Amount, Last, etc. Lists rights offers.

PHILADELPHIA 6X 6/8 OPTIONS \$21,250 (cents per pound)

Table with columns: Strike, Dec, Jan, Feb, etc. Lists Philadelphia options prices.

BASE LENDING RATES

Table with columns: Bank Name, Rate, etc. Lists base lending rates for various banks.

UK GILT PRICES

Table with columns: Issue, Price, etc. Lists UK Gilt prices.

UK clearing bank base lending rate 6 per cent from October 30, 1996

Up to 1-3 3-6 6-9 9-12 months months months months

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bill type, Amount, etc. Lists Bank of England Treasury Bill tender details.

BANK RETURN

Table with columns: Banking Department, Assets, Liabilities, etc. Lists bank return figures.

FAST 64 KBIT SATELLITE TECHNOLOGY

Advertisement for satellite technology, including MarketEye and Berkeley Futures Limited.

Large advertisement for World Tax Report, featuring text about international tax services and contact information.

STOCK INDICES

Table with columns: Dec 6, Dec 5, Dec 4, Dec 3, Dec 2, High, Low. Lists stock indices for various markets.

Other Fixed Interest

Table with columns: Issue, Rate, etc. Lists other fixed interest rates.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Guinness	120.00
Heineken	115.00
Stout	118.00
Wolfe	122.00

BANKS, MERCHANT

Barclays	100.00
HSBC	98.00
London	102.00
M&P	105.00

BANKS, RETAIL

Bank of Scotland	110.00
First Direct	108.00
Halifax	112.00
Yorkshire	115.00

BREWERIES, PUBS & REST

Beck's	125.00
Carlsberg	120.00
Heineken	115.00
Stout	118.00

BUILDING & CONSTRUCTION

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

BUILDING MATS. & MERCHANTS

Woolworths	100.00
Debenhams	98.00
Next	102.00
Primark	105.00

CHEMICALS

ICI	110.00
Shell	108.00
BP	112.00
British Petroleum	115.00

CHEMICALS - Cont.

Eastman	115.00
Imperial Chemical	118.00
Shell	120.00
BP	122.00

DISTRIBUTORS

Debenhams	98.00
Next	102.00
Primark	105.00
Woolworths	100.00

DIVERSIFIED INDUSTRIALS

British Airways	110.00
British Telecom	115.00
British Petroleum	118.00
British Airways	120.00

ELECTRICITY

British Nuclear	105.00
EDF	108.00
Electricity	110.00
Energy	112.00

ELECTRONIC & ELECTRICAL EQPT

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

ENGINEERING

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

ENGINEERING, VEHICLES

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

EXTRACTIVE INDUSTRIES

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

EXTRACTIVE INDUSTRIES - Cont.

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

FOOD PRODUCERS

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

FOOD PRODUCERS - Cont.

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

GAS DISTRIBUTION

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

HEALTH CARE

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

HOUSEHOLD GOODS

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

HOUSEHOLD GOODS - Cont.

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

INSURANCE

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

INVESTMENT TRUSTS

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

INVESTMENT TRUSTS - Cont.

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

INV TRUSTS SPLIT CAPITAL

Amey	105.00
Balfour Beatty	108.00
Bechtel	110.00
Worleyparsons	112.00

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Now trading  
24 hours a day

Visit us at <http://www.watchesofswitzerland.co.uk> and you can enter our free draw to win an exclusive Swiss watch.

Watches of Switzerland

Neutral about most things, but keen about watches.

Watches of Switzerland

RIV TRUSTS SPLIT CAPITAL - Cont.

Table listing various investment trusts and their share prices.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts and their share prices.

INVESTMENT COMPANIES

Table listing investment companies and their share prices.

LEISURE & HOTELS

Table listing leisure and hotel companies and their share prices.

LIFE ASSURANCE

Table listing life assurance companies and their share prices.

MEDIA

Table listing media companies and their share prices.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies and their share prices.

OR, INTEGRATED

Table listing OR or integrated companies and their share prices.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies and their share prices.

PAPER, PACKAGING & PRINTING - Cont.

Table listing paper, packaging and printing companies (continued).

PHARMACEUTICALS

Table listing pharmaceutical companies and their share prices.

PROPERTY

Table listing property companies and their share prices.

PROPERTY - Cont.

Table listing property companies (continued).

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

RETAILERS, FOOD

Table listing retailers and food companies and their share prices.

RETAILERS, FOOD - Cont.

Table listing retailers and food companies (continued).

RETAILERS, FOOD - Cont.

Table listing retailers and food companies (continued).

RETAILERS, GENERAL

Table listing general retailers and their share prices.

SUPPORT SERVICES

Table listing support services companies and their share prices.

WATER

Table listing water companies and their share prices.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued).

TELECOMMUNICATIONS

Table listing telecommunications companies and their share prices.

TEXTILES & APPAREL

Table listing textiles and apparel companies and their share prices.

TOBACCO

Table listing tobacco companies and their share prices.

TRANSPORT

Table listing transport companies and their share prices.

AIR

Table listing air companies and their share prices.

AIR - Cont.

Table listing air companies (continued).

AMERICANS

Table listing American companies and their share prices.

CANADIANS

Table listing Canadian companies and their share prices.

AIR - Cont.

Table listing air companies (continued).

AMERICANS

Table listing American companies (continued).

CANADIANS

Table listing Canadian companies (continued).

SOUTH AFRICANS

Table listing South African companies and their share prices.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Databank, part of Reed Elsevier Information.

FT Share Service

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FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing various offshore funds under the Bermuda (SIB RECOGNISED) category, including fund names, managers, and performance metrics.

BERMUDA (REGULATED)\*\*

Table listing various offshore funds under the Bermuda (REGULATED)\*\* category, including fund names, managers, and performance metrics.

GUERNSEY (SIB RECOGNISED)

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Advertisement for Macmillan Appeal featuring a paperclip graphic and text: 'SEND US YOUR OWN PAPERCLIP. And while you are at it, please attach your cheque to fund more Macmillan Nurses in the fight against cancer. (Did you know over one million people are living with it?)' Includes contact information for CRMF Freepost London SW3 3BR.

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FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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LUXEMBOURG (SIS RECOGNISED)

Main table listing various offshore funds and insurances with columns for fund name, currency, and other details. Includes sub-sections for Luxembourg (SIS RECOGNISED) and Luxembourg (REGULATED).

LUXEMBOURG (REGULATED)

Table listing regulated Luxembourg funds and insurances, continuing from the main table.

OFFSHORE INSURANCES

Table listing offshore insurance companies and their details, including names and contact information.

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cyteline Unit Trust Prices: call 0891 490010 and key in a 5 digit code listed below. Calls are charged at 45p/minute cheap rate and 50p/minute at all other times. International access available by subscription only. For more details call the FT Cyteline Help Desk on (+44 171) 874 4378.

Main table listing various fund categories such as Global, UK, and Offshore funds, with columns for fund name, price, and other details.

Mikimoto advertisement featuring a diamond necklace and text: 'A HIGHLY DISTINGUISHED AND ELEGANTLY DESIGNED PAIR OF CULTURED PEARL BROOCHES SET IN 18CT GOLD. MIKIMOTO 179 New Bond Street London W1Y 9PD Tel: 0171 629 5300.'

MANAGED FUNDS NOTES: This section provides detailed information regarding fund management, including performance metrics, risks, and contact details for various fund providers.

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Alpine, Austria, etc.

BERNESE ALPS (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Bernese Alps, etc.

GERMANY (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Daimler-Benz, etc.

FRANCE (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Air France, etc.

FINLAND (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Nokia, etc.

IRELAND (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Anglo Irish, etc.

NETHERLANDS (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like ABN-Amro, etc.

PORTUGAL (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Banco de Portugal, etc.

SPAIN (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Banco de España, etc.

SWITZERLAND (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Swisscom, etc.

UNITED KINGDOM (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Anglo, etc.

ITALY (Dec 8/ Fri)

Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Fiat, etc.

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Table with columns: Stock Name, Price, Change, High, Low. Includes companies like Banque Paribas, etc.

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Advertisement for Rockwell Automation. Text: 'Faster time-to-market, flexibility and customer responsiveness are the key to Rockwell Automation's leadership.' Logo: Rockwell Automation.

INDICES

Table of stock indices: Argentina, Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UK, USA, etc.

INDEX FUTURES

Table of index futures: CAC-40, DAX, FTSE-100, Nikkei, S&P 500, etc.

US INDICES

Table of US stock indices: Dow Jones, S&P 500, NASDAQ, NYSE, etc.

US S&P 500

Table of S&P 500 components: Intel, Microsoft, etc.

ASIA

Table of Asian stock indices: Hong Kong, Singapore, etc.

EUROPE

Table of European stock indices: DAX, CAC-40, etc.

AFRICA

Table of African stock indices: South Africa, etc.

AMERICA

Table of American stock indices: Toronto, Montreal, etc.

INDICES

Table of various international indices: Australia, Canada, etc.

INDICES

Table of various international indices: New Zealand, etc.

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NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Power Steering advertisement for Hewlett-Packard. Text: 'If the business decisions are yours, the computer system should be ours. www.hp.com/go/computing'.



Continued on next page

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4 pm close December 6

NYSE PRICES

Main NYSE stock price table with columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', '-V-', '-W-', '-T-', '-U-', and '-X-Y-Z-'.

NASDAQ NATIONAL MARKET

4 pm close December 6

NASDAQ stock price table with columns for stock name, price, change, and volume. Includes sub-sections for '-L-', '-E-', '-F-', '-G-', '-H-', '-I-', '-J-', '-K-', '-L-', '-M-', '-N-', '-O-', '-P-', '-Q-', '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-', '-Y-', and '-Z-'.

AMEX PRICES

AMEX stock price table with columns for stock name, price, change, and volume. Includes sub-sections for '-A-', '-B-', '-C-', '-D-', '-E-', '-F-', '-G-', '-H-', '-I-', '-J-', '-K-', '-L-', '-M-', '-N-', '-O-', '-P-', '-Q-', '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-', '-Y-', and '-Z-'.

Advertisement for Malta with the headline 'Have your FT hand delivered in Malta' and a large 'Malta' logo.

Continuation of the NASDAQ stock price table from the previous section.



THIS WEEK

# EU and Nato discover togetherness

The news in Brussels is that Nato and the European Union have started dating. They are shy about revealing how much they have been seeing of each other, but after several sightings around town, most recently dinner at Chez Marius restaurant on the edge of the Petit Sablon, something serious is afoot.

Remember, for more than 40 years the EU and Nato barely talked to one another. Nato's job was to keep the Americans in, the Germans down, and the Russians out. The EU brought France and Germany together in a common endeavour to spread economic prosperity in western Europe. Both organisations succeeded famously.

But now that the Cold War is over, the EU and Nato have grasped that their civil and military missions are no longer so far apart. The enemy is no longer a Soviet tank column racing through the Fulda gap. The enemy is political instability

in central and eastern Europe, the territory running from the Baltics to the Balkans where two wars started this century.

Nato and the EU have promised to open their doors to the central and European countries. But Russia is not happy. Nato enlargement has revived fears of encirclement. EU enlargement does not arouse the same trepidation in Moscow, but it still threatens to draw a line across the continent.

The challenge is to manage the twin enlargements in a manner which reassures the Russians without handing them a veto or a new sphere of influence. Nato foreign ministers will talk about this at a meeting tomorrow in Brussels, and the subject is bound to crop up at the EU summit in Dublin on Saturday when 10 candidate countries from

**DATELINE**

**Brussels:**  
Nato and the European Union may be starting a beautiful friendship, writes  
**Lionel Barber**

central and eastern Europe turn up for lunch.

So far, no one has come up with a satisfactory answer, but most recognise that the EU and Nato would be ill-advised to pursue enlargement without

taking due account of each other's plans and thinking. Which takes us back to the incipient dialogue.

The push comes from the US, which does not have a seat at the EU table. One driving force in Brussels is James Elles, a British member of the European parliament who belongs to that endangered UK species, the pro-European Conservative. Elles heads the Transatlantic Policy Network (TPN), a Brussels and Washington-based group of politicians, businessmen and academics set up four years ago to cement US-EU ties in the post-Cold War era.

Gunnar Riberholdt is one member of the group who has bridged the two worlds. A former long-serving Danish ambassador to the EU, he moved to Nato last year. Others involved include

Hermann von Richthofen, the German ambassador to Nato, and Robert Hunter, the US permanent representative. Javier Solana, Nato secretary-general, has also addressed TPN and attended a separate meeting with Hans van den Broek, EU commissioner for enlargement.

After four informal TPN meetings, participants say they are still recovering from mild culture shock. Nato remains an action-orientated organisation suffused with can-do American attitudes, while the EU is a strange superpower, often incapable of making decisions, its economic strength still not matched by its political weight.

Although the two organisations have worked closely on Bosnia reconstruction and are edging closer over the EU's ambitions to create a new "European defence

identity", there is a gap in intellectual approach.

Pushed by the Americans, Nato has concluded that it must expand eastwards. The first accession candidates are likely to be named next summer.

Depending on whether further negotiations are required and what happens in Russia, the entry date for the first wave of new members will be 1998: the 50th anniversary of Nato.

EU enlargement will take much longer. The European Commission has slated the first date for accession as 2002-2003, after the end of the Maastricht review conference, the launch of Europe's planned single currency, and a new EU budget deal. Entry negotiations are bound to be protracted because poorer, farm-intensive economies will need special transition

arrangements before facing the competitive force of the single European market.

The risk is that the US will become frustrated with the delay on the European side. Washington has not declared its shortlist for Nato expansion, but everyone assumes it includes Poland, the Czech Republic and Hungary, and excludes the Baltic states.

That is why the US is lobbying the EU to take in the Baltic states as compensation. The Europeans are non-committal in public; in private, officials say US interference could provoke a backlash, particularly from a neutral France suspicious about US willingness to support a common European defence capability under Nato's umbrella.

There is ample scope for mutual incomprehension during the next few months. The cautious courtship between Nato and the EU is more than a useful antidote. It could be the start of a beautiful relationship.

The Monday Profile: Eckart Kottkamp, Claas

## Earthman with rare gifts

Eckart Kottkamp could be accused of gazing skywards and pondering how his world has changed. Twenty years ago he was project manager for the European Space Agency's SpaceLab orbiting workshop programme. It was, he says, a straightforward job.

But for the past seven months Kottkamp has had a role which is more down to earth and potentially more turbulent. He is chairman of Claas, the venerable family-owned German company which is Europe's biggest maker of combine harvesters.

Following news last week that Agco of the US is negotiating to buy Fendt, another privately controlled German company which is the market leader in Germany in tractors, Claas is Germany's last significant redoubt against the remorseless efforts by big US companies to dominate the global farm equipment market.

It appears that only failure to decide a price, or possibly objections by the German cartel office, can stop Fendt going the way of the other 15 or so independent German tractor suppliers that have disappeared or been swallowed up in the past 30 years. Agco is one of three US companies - the others are John Deere and Case - which are among the top four businesses in the world's \$27bn (£16.4bn) a year agriculture equipment sector.

Efforts by Claas to keep the German flag flying in this industry will be very much bound up with Kottkamp, a 57-year-old former communications engineer who joined Claas this year.

As well as a 13-year spell in the German aerospace industry, during which he worked for the Erno contractor which supplied SpaceLab modules for US space shuttle flights, Kottkamp has had stints with the Robert Bosch car company and at Jungheinrich, the German company which is Europe's second biggest supplier of lift trucks, where he became chief executive.

Kottkamp's good reputation suffered a setback when he was



instrumental in taking Jungheinrich into cleaning equipment, and his scholarly manner once caused him to be passed over for the top job at a leading UK automotive parts supplier.

"No one would call him a power player," says a business associate. "But he is a brilliant, long-term thinker who is very sharp on manufacturing techniques and he has the guts to take tough decisions."

Kottkamp will need all these attributes in his new job at Claas, which in spite of its 30 per cent share of the DM3bn (£1.2bn) a year west European combine harvest market is facing some of the biggest challenges

in its 83-year-old history. Claas's main difficulties are its dependence on the European market, which accounted for 90 per cent of its DM1.4bn sales last year, and the high costs of operating its factories in Germany.

While the fastest growing regions for harvesting machines are south-east Asia and south America, the European market has shrunk by about two-thirds in volume during the past 25 years. Few industry observers bet that Claas can hold out very long against a potential purchaser, even though Claas has vowed never to sell out.

But Kottkamp has no doubts about his company's strengths.

Its history has given it an unrivalled understanding of the business, and loyal customers.

Second, Claas's profitability (pre-tax profits estimated at about DM65m last year, up close to 18 per cent on the previous year) has given it a strong cash flow and the means to begin a DM45m redevelopment of its harvesters line.

In spite of the high costs of Claas's German plants, mostly based close to its head office in Harsewinkel near Hanover, Kottkamp claims his company's manufacturing strengths are second to none. Finally, says Kottkamp, Claas is going all out to build more advanced combine harvesters, the most expensive of which can cost up to DM500,000.

Kottkamp says that in manufacturing, despite the country's high labour costs and onerous regulations covering how factories operate and the hours people can work, an important German strength is the ability to combine ideas. "We are good at putting together all the offerings of the new technologies," he says.

He enthuses about the benefits to farmers of his company's ability to equip machines with systems that measure the physical conditions of crops and adjust the harvesting operations accordingly. "In the past, it might take two hours for a farmer to change over a [harvesting] machine to cater for different crops; now you can do it in minutes."

But Kottkamp cannot help but hark back to his days as a space engineer and consider how his life has become more complex: "In space, everything is the same. On the ground, everything is different: the soil conditions in Ireland, Germany and Sweden will all vary. And you may do all you can [to design a system for maximum yield] - and then it rains." Looking ahead to the storms approaching his sector, Kottkamp must be hoping that his technological and management skills help protect his new employer from getting a soaking.

Peter Marsh

FT GUIDE TO

## Copyright and the Internet

I hear that copyright infringement has (at least temporarily) eclipsed cyberporn as the big Internet issue. Is that true?

Copyright infringement on the Net is certainly on the minds of the world's technology industries. This week, representatives of more than 100 member governments of the World Intellectual Property Organisation, a UN agency, are trying to conclude three global treaties so as to update intellectual property rights for the digital era. Their meeting in Geneva, which started last week, has attracted hordes of lobbyists from technology companies.

Who is complaining about copyright?

Cartoonist Gary Larson, originator of "The Far Side" for one. Larson's admirers digitised his complete works and put them on the Net. He sent an e-mail to all of them, asking them to remove the cartoons.

But isn't the Net all about the free flow of information?

The Net community is not entirely happy with Larson - or with other people who have complained about copyright infringement - although several people removed "The Far Side" from their sites. Those opposed to the proposed new rules argue that they would make it illegal just to surf the World Wide Web, the multimedia part of the Net. Each time you access pictures, text or even sound on the Net, your computer makes a copy. That could be interpreted as an infringement of the intellectual property rights that reside in such material.

That's taking things a bit far, isn't it?

Supporters of the new rules say that temporary copies generated by surfing will remain legal. But without stronger protection, they argue, companies would be unwilling to produce new material for the Net. The Net has enormous potential as a quick and cheap way of distributing new and existing software, music, films, databases and so on, but this potential will not be realised unless those who produce material enjoy a proper return on their investment.

Could I digitise the FT and put it on the Internet?

Technically, that would be easy. It would probably take you about 20 minutes using a \$500 (£122) scanner. Once loaded on to the Net, the whole world could browse it. By current rules, it is not clear how or whether the FT could obtain redress, but Playboy magazine successfully sued a Net bulletin board service in the US for using one of its copyright pictures.

What would happen under the new rules?

It would be the FT's responsibility to watch out for breaches of its copyright, and to approach the Net company that was hosting the site that was

carrying FT copyright material. The host would then have to close the site down.

But there could easily be complications. The Net company concerned could be located anywhere in the world, even in a country that was not a signatory of the new copyright agreements. And the companies which provide the links between the World Wide Web and customers' computers are keen to protect themselves from liabilities relating to copyright infringement, as well as libel and indecency. They argue that they cannot be aware of what is passing through their pipelines into consumers' homes.

But I already photocopy articles of FT articles to show to colleagues and customers. Isn't that a breach of copyright?

Yes, it is. You could be hearing from the FT's syndication department. On the other hand, Net freedom fighters argue that people break copyright rules all the time with photocopyers and tapes, but that such breaches are tolerated. Music and film companies reckon there are three times as many copies of their works in circulation as originals. The people who favour Net copyrighting argue that a couple of photocopies is very different from putting something in front of 60m Net surfers. And use of the Net is growing all the time.

What can originators of material do to protect their work?

Hi-tech white-kids think they can come up with the answers, and would like this week's meetings to be delayed for six months while they develop new procedures. So far, ways of protecting music and film have been found. Text - from databases, for example - is proving more difficult. Digital watermarks, the electronic equivalent of the watermarks used to help protect banknotes, could be embedded in electronic documents.

But telling people that copying is illegal had little impact on controlling the copying of videos and music. Encryption and password protection can be used to keep those who shouldn't be there out of your database, but once a paying customer has the information he wants, there is nothing that can be done to stop him making copies.

What will happen at the talks?

If last week is anything to go by, not much. Procedural discussions have occupied most of the time. There are still big differences between countries. Bruce Lehman, US commissioner of patents and trademarks, said Washington was unhappy with the draft agreement to protect databases because it would "lock up facts".

Lehman described the chances of agreeing a deal on databases as "very remote", but the other two treaties are less controversial.

Edward Whitehouse

Robert Chote • Economics Notebook

## The flexible truth about jobs

Does falling unemployment mean a more responsive labour market?

In the forthcoming UK general election campaign, Britain's Conservative government will claim to have transformed the country's famously dysfunctional labour market for the better.

The UK's record on job creation has certainly been stronger during the current upswing than it was in the 1980s. But employment growth remains feeble by international standards, and neither government nor opposition is proposing the sort of policy changes which might produce a significant further improvement.

For electoral purposes, the Conservatives will focus attention on the headline rate of unemployment, which should conveniently drop below 5m in the next couple of months. Unemployment started falling three years earlier in this upturn than it did in the 1980s and the jobless rate is much lower now than it was at the equivalent stage of the last economic cycle.

This improvement cannot be attributed to trends in economic activity: in both this cycle and the last, national output rose about 8.5 per cent in the first three years of recovery. The Tories argue that things look better now because they have improved the flexibility of the labour market, perhaps also explaining why the fall in joblessness has produced only a modest pick-up in wage pressures.

The Conservatives have certainly transformed Britain's labour market institutions. Beginning in 1980, a succession of acts of parliament constrained picketing rights, imposed pre-strike ballots, reduced union

immunities and virtually outlawed the closed shop. Union membership has fallen sharply.

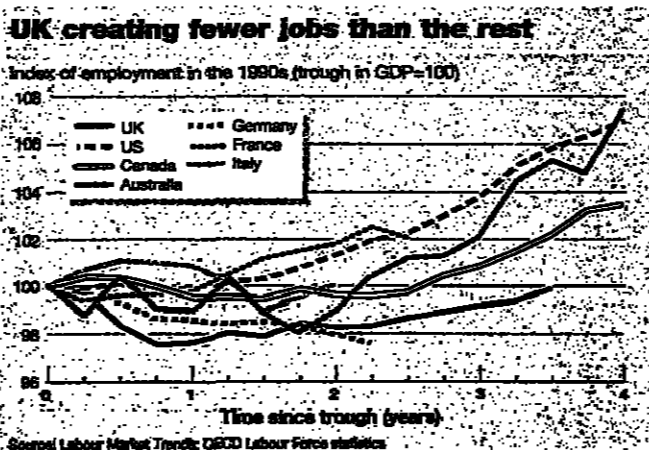
Meanwhile, the government reduced both the coverage and generosity of social security benefits. Minimum wage legislation has been largely abolished, claims for unfair dismissal have been constrained and the unemployed have been forced to jump extra administrative hurdles to remain entitled to benefits.

But how much has Britain's labour market performance actually improved since the 1980s, and to what extent can this be explained by these reforms?

Ray Barrell and Julian Morgan of the National Institute for Economic and Social Research have compared Britain's economy with those of three other Anglo-Saxon countries (US, Canada, Australia) and with those of three continental European ones (Germany, France, Italy).

In the first three years of recovery, the proportion of the working-age population unemployed in the UK fell by 0.24 percentage points a year in the equivalent period of the 1980s. From having the worst record among the seven countries in the 1980s, it has had the best in the 1990s.

But the UK's performance is not as good as it looks. In this early phase of the current recovery, the fall in unemployment was more than accounted for by people dropping out of the labour market. Some did so because they despaired of finding a job, some because they became students, some because



they retired early and some because they claimed to be sick.

The UK's record on employment looks very different, although definitive conclusions are hard to reach because surveys of employers and employees paint somewhat different pictures. Barrell and Morgan calculate that the proportion of the working-age population in employment fell 0.14 percentage points a year in the first three years of recovery. This was five times better than the performance recorded in the 1980s, but still poor in comparison with the other countries. Only Canada and Germany performed worse.

So, as the graphic illustrates, the UK's job creation record is no longer woefully adrift of its international rivals, as it was in the 1980s. But the UK remains at the bottom of the heap.

The improvement over time almost certainly results in part

from the government's labour market reforms. The changes to trade union and employment legislation may have made firms more willing to take on extra workers to cope with rising demand. The changes to the social security system may at the same time have encouraged the unemployed to be more active in the labour market.

But in the wake of these profound institutional changes, why does the UK remain a poor performer compared to the deregulated US labour market and to some European ones?

Relative to the other Anglo-Saxon economies, one problem is that the unemployed in the UK remain without work for longer, thereby reducing both their attractiveness to potential employers and their own motivation. In 1995, the proportion of the unemployed in the UK who had been without work for a

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MANAGEMENT

# Fads that speak volumes

### Stuart Cramer settles down for a good read of the 50 top business books of all time

The past two decades have seen an explosion of interest in business and management books. Management texts routinely feature on international bestseller lists and the latest fads and fashions instantly travel the globe: a manager in Rutland, Vermont, reads a book by a French academic filled with case studies of Swiss-Swedish conglomerates and expects answers to his or her problems.

The book which ignited the market was *In Search of Excellence* (1982), by two McKinsey consultants, Thomas J. Peters and Robert H. Waterman. Whether it is any good or not continues to be debated. But its influence is undeniable. The book has now sold about 6m copies and Thomas J. Peters has been transformed into the folksy and friendly Tom Peters, multimillionaire and globetrotting guru.

After *In Search of Excellence* stormed into the bestseller lists, others quickly followed. Before long, business books were everywhere. Airport bookstalls banished Harold Robbins to a distant corner and filled their front shelves with the latest outpourings from the consultants, academics, journalists, retired executives, charlatans and scribblers who were all anxious to jump on the bandwagon.

Part of the reason for the boom is the inexorable "professionalisation" of management which has been going on since the 1940s - the transformation of the manager from mere supervisor and small-time dictator to highly qualified executive. Professionals they may be, but managers remain slightly reticent and ill-at-ease with their status: they feel a need to explain themselves in a way in which lawyers and doctors do not. They crave a clear set of guidelines on the skills and knowledge

required to become a manager.

Too often the search resembles an indecent race to find the latest bright idea, the one-stop answer to all business problems. Managers buy the fashionable books of the moment and then within months, perhaps weeks, move on to the next fashion. All this is good news for publishers.

Richard Pascale, author of *Managing on the Edge*, is a vehement critic of the enthusiasm for fads and instant solutions. He calculates that more than two dozen techniques have come and gone since the 1950s, with a dozen arriving between 1985 and 1990 alone. He believes this will continue. "I think it is a packaged-goods business. There is an unquenchable thirst."

Sceptics are right to question the practical usefulness of much that is published. Few influential books are written by practising managers, or by women. Books by real managers largely provide proof of why the individuals chose a career in business rather than in the media - they tend to be riddled with egotism and poor writing. There are a few exceptions, such as Alfred P. Sloan or, more recently, Ricardo Semler, but most are written by academics from the leading US business schools.

Critics of business books would suggest that therein lies the problem. Academics and consultants are routinely condemned as being out of touch with reality. In some cases this is undoubtedly true. But the individual experiences of a single executive in a particular organisation are unlikely to provide a rich vein of inspiration for executives in wildly different situations.

Even so, the canon of management literature is full of ideas which have been implemented and which have affected millions

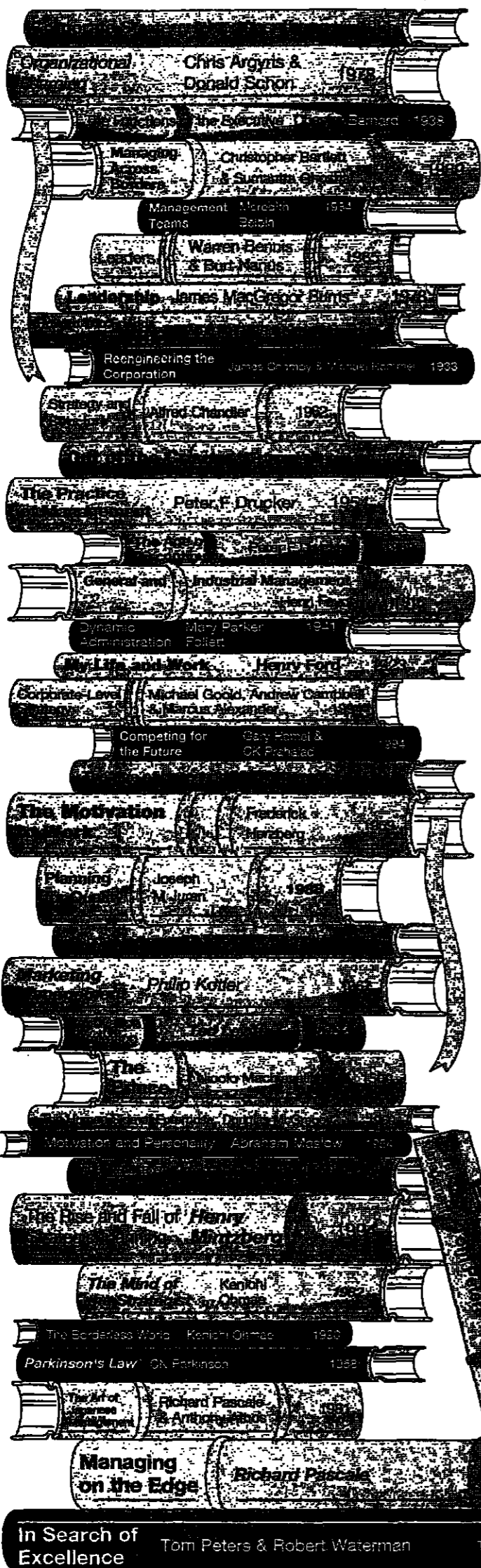
of managers. As guru Peter Drucker has observed: "All the great business builders we know of - from the Medici of Renaissance Florence and the founders of the Bank of England in the late 17th century down to IBM's [founder] Thomas Watson in our day - had a clear theory of the business which informed all their actions and decisions."

Look at the part played by W. Edwards Deming in the renaissance of Japan. Think of the impact of Michael Porter's work on the value chain which has been taken up by companies throughout the world, as well as his work on national competitiveness which has altered the economic perspectives of entire countries. Porter has been called in by countries as far apart as Portugal and Colombia to shed light on their competitiveness. Who thought customer service was a key competitive weapon before Peters and Waterman?

And the domain of business books is growing. The authors of *The Witch Doctors*, a tome on the management theory industry, observed the influence on politicians. On his election as leader of the House of Representatives in the US, Newt Gingrich sent his Republican colleagues an essential reading list, including works by seven management thinkers. Bill Clinton, US president, has spent his holidays holed up with motivational gurus while Tony Blair, UK Labour party leader, sent his shadow cabinet to Templeton College, Oxford, to spend a weekend learning about management theory.

Stuart Cramer is the author of *The Ultimate Business Library*, a selection of the 50 greatest management books, published in the UK this week by Capstone Publishing. Tel (0)1225 465500. Foreword and commentary by Gary Hamel. £15.99

### Fifty books which made management



High-fives: Rory McCarthy (right) and Per Lindstrand

### PARTNERS

## Lindstrand Balloons

Per Lindstrand, 42, and Rory McCarthy, 38, founded Lindstrand Balloons Limited in 1992. The company designs and produces airships throughout the world. Their annual turnover is £8m.

Next month, Per, Rory and Richard Branson, Virgin Atlantic chairman, will attempt to circumnavigate the world in a gas balloon designed by LBL.

Rory: "Per has a tremendous personality, a great sense of humour and a Swedish charm about him. He's unfazed by the most dangerous things."

He's a genius when it comes to building, designing and manufacturing balloons and airships. Per is a perfectionist with a slightly mad streak, but not like a mad professor. With him it's this amazing attention to detail which I've never come across.

Before we became business partners, I visited his factory one day, just as he was about to do a test flight. He suggested I came along in the basket and use his parachute. I agreed, in my macho way, but what I really meant was "absolutely not". I found myself hanging at 10,000 feet with Per smiling at me. I was hoping he'd say "only joking" but he said "well, go on then".

When I fell away I found the parachute wouldn't open at 5,000 feet, which was one of the most terrifying experiences of my life. Eventually I managed to open it and land safely.

Three hours later, when my tears had dried, Per arrived. "From where I was standing it looked like you'd gone," he said, with a big grin. It turned out the main parachute hadn't been packed properly. I was less amused than him, but we're still friends.

On the round-the-world

trip it's very much a student-teacher relationship. I fly my own jet, so I'm not a novice, but Per's the ballooning enthusiast. The company has projects which will take us well into the year 2000, but this will be my last record-breaking trip.

Per: "I met Rory in 1982, when he wanted to break the hang-glider record for the highest altitude. I took him under my balloon and he managed to reach 32,000 feet. Unfortunately the weather got so bad we lost him in a cloud of fog and he landed somewhere in Norfolk with a completely frozen jaw."

We eventually found him in a hospital being massaged by three nurses. He was having such a good time he forgot to call me, but that's Rory for you.

He's impatient in that everything has to happen tomorrow, whereas I look after the details and make sure the things are in the right place. Like Richard, he's interested in the technology, up to a point, but they've both got ants in their pants.

Rory and I speak about once a month, which usually takes two or three phone calls either way. We don't have time for board meetings: if we disagree it's over what percentage we are investing in the company. "I'm the engineer and designer, so I'll always want gleaming machine-tools wall to wall; Rory's the financier, so he wants a bigger balance sheet. The arrogance of the 80s, when we produced something because it's good, has gone, we now produce what the market wants. We're about to live in a box for 21 days, hanging at 30,000 feet, so I've no idea how we'll get along. Whenever we're together for more than 10 minutes we invariably talk about aviation."

Fiona Lafferty

# The corporate spirit of Christmas

**T**o all employees  
From: The Chairman  
Re: Christmas Party.  
I would like to make it quite clear that the following sorts of behaviour will not be tolerated at our Christmas party this year:

- Fighting
- Lewd acts
- Sexual harassment
- Vandalism
- Drug abuse

Anybody who does not adhere to these guidelines will be summarily dismissed.

As an additional precaution, I have decided to limit alcohol consumption to one glass per person.

I will take this opportunity to wish Happy Christmas to our staff, who remain our most valuable asset...

It does not sound particularly festive, does it? But Eversheds, the law firm, is advising its clients to take such steps. In particular, companies should tell all staff what is expected of them, and make sure that employees are not being plied with too much drink. That way employers will have a rock-solid defence when their fornicating, drunken workers subsequently sue for wrongful dismissal.

It is hard to know which is worse: this heavy-handed preemptive action on the part of companies, or the annual drunken brawl which they fear makes such action necessary.

I would dismiss it as an example of lawyers trying to get free publicity were it not for the fact that I have sampled one of these occasions myself. In an earlier life in the foreign exchange dealing room of one of the City banks, I attended a Christmas "Medieval Banquet", at which

there was all the mead you could drink, buxom wenches, and a fat man dressed up as Henry VIII... it was tacky, drunken, nasty, in all, a night to forget.

I now discover it could have been worse. A company called "Celebrity Entertainments" has sent me its catalogue which, in addition to the medieval banquet and a "Fairytale Royal Marriage" party, offers a "X-rated girl dancers" and "hunky, sexy gorgeous



Lucy Kellaway

guys". Any company that chooses to spend up to £60 a head on that deserves whatever is coming to it.

Listening to Michael Hammer duck and weave on the BBC's Today programme last week was a salutary experience. Hammer was asked to explain how it was that the formula in his bestseller, *Reengineering the Corporation*, appears not to work, and that

the companies who have re-engineered and fired people appear to be no better off.

Hammer's first line of defence was to say that some companies had applied his term promiscuously, and were actually not re-engineering at all. Furthermore, he said that he wasn't a consultant and therefore had not been directly involved, and added many of those who had genuinely attempted to follow the book had somehow misunderstood it. Firing people had nothing to do with it. "Successful re-engineering only occasionally involves laying off workers," he protested.

That's odd, because in chapter two of *Reengineering the Corporation* he defines the term: "Re-engineering means doing more with less." And if "less" does not mean fewer people, I'd like to know what it does mean.

Even more bizarrely, he said that when re-engineering does involve job cuts, "the people were usually hired back two years later when the company started growing again".

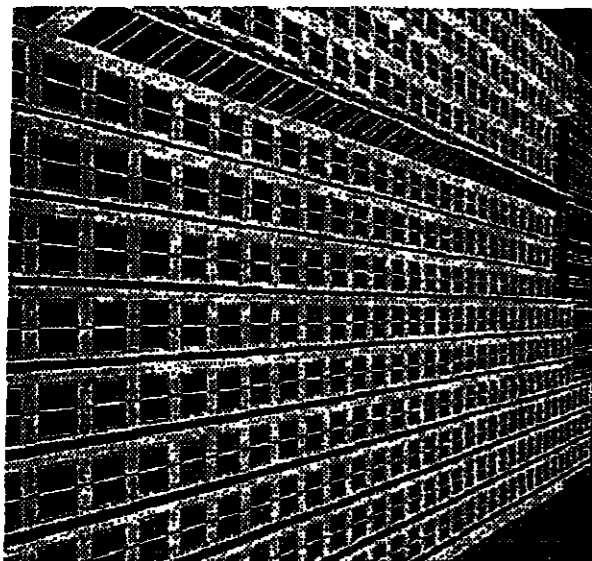
Doubtless Hammer would say that I had misunderstood, but the idea that companies could fire and rehire staff in this way does not sound like a "successful" operation to me, call it re-engineering or anything else.

Has somebody high up at McDonald's taken to heart the title of the new management book *Only the Paranoid Survive*? Last week the fast food giant was in court attempting to prevent a hot dog street vendor in Silkeborg, Denmark, from selling under the name of McAllan.

Given that the two names are

clearly distinct, that the businesses are scarcely competitors, and that McDonald's is one of the largest companies in the world while McAllan is one of the smallest, the action strikes one as odd, not to put too fine a point on it. The paranoid may survive when their paranoia is properly channelled. But when it involves spending money and time in such a fruitless way, one wonders.

McDonald's protested that it was merely defending its valuable trademark. Harrods said the same last week when it took action against Harrods (South America) which is proposing to sell its brand name at auction. Harrods' court action is understandable. But McDonald's strikes me as a case of rampant, sick paranoia that in the long run is more likely to lead to suicide than survival.



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Tom Johnson: "We are not going to be pulled down by any of this new competition"

## CNN digs its claws in

Raymond Snoddy meets CNN News Group chairman Tom Johnson

Soon there will be no escape from Cable News Network, the 24-hour-a-day television news service created by America's Ted Turner. CNN services are already on 17 satellites spanning the globe - 20 by next year - but CNN continues to chase an audience wherever one can be found.

Already CNN is available in 22 US airports and Frankfurt will soon be added as the first non-US airport to broadcast the channel. Experiments are under way with Delta, the US airline, to broadcast CNN live on commercial aircraft almost anywhere (planes are being fitted with special antennas). And the Atlanta-based news group is also taking its service into cafés, shopping malls - even doctors' waiting rooms.

For those unable to sit still long enough to watch a TV screen, the headlines (sport, weather, business, US and international news) are being distributed via beepers. These imaginative ventures are symptomatic of intensifying competition in the international news business, and part of what Tom Johnson, chairman, president and chief executive of

CNN News Group, says is the third age of CNN. First there were the struggles of Ted Turner, amid much scepticism, to establish the idea of 24-hour TV news. Then, Johnson believes, there was CNN's coverage of the Gulf war in 1990 which established CNN as a global player that could compete with any other news organisation. Now the challenge - apart from getting into doctors' surgeries - is to regionalise CNN's coverage: continue the process of making CNN international less American; and move into important languages other than English.

Next March the company will launch CNN en Español, a 24-hour Spanish news service for central and Latin America. CNN is also believed to be exploring the possibility of a Hindi service for the Indian sub-continent and it intends to enter new programme niches with CNN/ISI, the new sports network planned in a joint venture with *Sports Illustrated* magazine.

"The test is: do these projects work journalistically, do they work operationally, and do they work financially," says Johnson, who was publisher and chief

executive of the Los Angeles Times before moving to CNN in 1990. CNN wants to avoid the problems experienced by the BBC in providing an Arabic TV service for the Saudi-backed Orbit Communications group which collapsed earlier this year in mutual recriminations. CNN has rejected proposals from Saudi groups for a Middle East service because of potential political difficulties.

"If we can't go into a country and operate with independence then we just won't do it," says Johnson, adding that CNN is nonetheless now allowed to report from North Korea and is planning to open a bureau in the Cuban capital, Havana, a venture which is subject to US regulatory approval.

The main challenge the group faces is growing competition. Apart from the US networks, BBC World and no less than nine 24-hour news channels in Argentina alone, there are new rivals to contend with such as MSNBC on the Net, a joint venture between Microsoft and NBC, and Rupert Murdoch's

Fox News in the US. "We expect Rupert to be all over the world with his news. It is a new competitive era for us," says Johnson, adding that he has a mandate from Ted Turner and Turner's new boss, Gerry Levin of Time Warner, to continue building CNN News Group, which had revenues of \$765m (\$466m) last year and \$617m for the first three quarters of this year, a rise of 11 per cent.

Apart from receiving backing from Time Warner, CNN is investigating how the journalistic talents of Time Inc and its magazine stable can be harnessed to CNN and vice versa. How can *Fortune* and *Money* magazine, for example, work together with CNN's 14-hour-a-day financial network?

For Johnson, the great uncertainties are the Internet and interactive TV, and how they will affect TV news. There is evidence, the CNN chairman says, that US Net users are watching 20 per cent less television. Interpreting the data liberally, the group says that on the day of last month's US presidential election, CNN Interactive had 50m hits. But can advertisers be persuaded to pay to climb aboard? Can

### Tim Jackson

## Cash for questions



Not too many high-tech startups can claim to be based on an idea from a stage play. One that can, however, is *Six Degrees*, a company in Pittsburgh founded this year by a member of the prestigious computer science faculty at Carnegie-Mellon University.

The company's name pays homage to the stage play (and film) *Six Degrees of Separation*, in which a character raises the interesting idea that if you take any two inhabitants of the world, they can be linked together by a chain of five mutual acquaintances.

Merrick Furst, the CMU professor behind the company, drew an interesting business conclusion. He started from the notion that people in business or academia often have problems they want to solve, or questions they want to answer, which would be easy if only they could find the person who knows the answer.

It might, he thought, be possible to build a service on the Internet which makes connections like those in *Six Degrees of Separation* - creating chains of acquaintances and friends that allow someone with a puzzling question to get in touch with the person who can help find the answer.

To give people an incentive to join these chains, Furst mused, he would need to set up a kind of commercial information exchange in which not only did questioners offer fees to people with answers, but intermediaries could help forward questions for a share of the fee. Last year, Furst and researchers at CMU built software that would run such an exchange, and invited 10 first-year graduate students to try it out.

Each student was given a budget of a dozen sodas with which to pay for answers. Within 10 days, the software package had

attracted 100 users, and students began to waylay the professor in the hall asking him how they could buy soft-drink credits to get questions answered.

Furst was so encouraged that he decided to turn the research project into a business. Here is how *Six Degrees* works in practice. Someone asks a question, offering, say, \$30 (£18.20) as a reward for an answer, payable by credit or by one of the Net payment systems.

The software package (at <http://www.6dos.com>) does some textual analysis to understand the question, and forwards it to people who might be able to help. People who receive the question can junk it or try to answer it. But they can also forward it to someone else, under a pseudonym if they wish, offering a lower fee that would leave them making a small commission on the introduction.

The recipient faces the same choice - ignore, answer or forward. If the question is forwarded six times, and each forwarder takes a 15 per cent commission, the person who gives the final answer will take slightly less than 40 per cent of the total fee.

The questioner can check on the company Web site to see how the chain is progressing, and can raise the price if things are moving too slowly. Someone who has an answer can send the questioner an electronic version of a cash-on-delivery envelope. That allows the questioner to decide whether to "open" the envelope and read the answer.

For example, one questioner in a trial wanted to find a cheap phone service for calling his daughter in Australia. The answerer sent a COD envelope, explaining that it contained contact details for a company offering calls at \$0.33 a minute. That information helped the questioner decide whether to open the envelope and pay. Not all questions will be so clear.

One questioner wanted recommendations for vegetarian restaurants in Pittsburgh; another wanted a formula to locate the centre of a sphere from four given points.

What if the buyer opens the envelope, but is not happy? The *6dos* Web site allows questioners to rate answers for usefulness and value, and to say whether they would recommend the person who provided them. It also allows answerers to rate questioners on how hard they are to please. So participants in a transaction can look at each other's track records, and judge whether they want to do business. (The system also gives people an incentive to be reasonable so that others will do business with them in future.)

Furst considered three ways to build a business. One was simply to take a 10 per cent commission off the top of each transaction. A second was to offer the service for use on corporate intranets. That would allow companies to "unlock" the specialist knowledge of their employees, and to give staff an incentive to help each other.

Two US technology companies, Sun Microsystems and Bellcore, are about to use the service on a trial basis, one using a points system, the other using money that employees can use to buy new notebook computers. But Furst believes a third alternative is likely to build the biggest business. He argues that the Web is full of sites whose owners are voracious purchasers of content, desperate to attract users from their competitors. A *6dos* server, he suggests, would give Web sites a real edge.

A crazy idea? Maybe. But Furst has raised enough money from private backers to build the prototype. This time next year, *Six Degrees* may have created an entirely new way of exchanging information. [tim.jackson@pobox.com](mailto:tim.jackson@pobox.com)

## Now... cyberChristmas

After a slow start, Victoria Griffith's plans for a multimedia, interactive Yuletide are taking shape

Not for this reporter the bitter chill and shoving crowds of Christmas. No, this year I'm celebrating a virtual Yuletide, and I am finding that it's a civilized - even cool - way to approach Christmas.

Since the start of this month, my computer screen has been decked out with Internet images of dancing snowflakes, angels and Santa Claus, although my first forays into Christmas Web sites were not exactly encouraging.

First, I stumbled on the terrible rumour (the Net is full of them) that the reindeer had formed a union, then promptly taken early retirement - dismal news indeed.

But a little determination unearthed plenty of holiday cheer. The last word in Yuletide Web sites is *Christmas.com*, which includes a Santa Sightings page. My mood brightened when I discovered that military radar had registered increased signs of airborne activity near the north pole in early December.

International sightings of Saint Nicholas himself were numerous enough to discredit the claims of another page that he did not exist.

Reassured, I swept into full Christmas mode. The first line of business, I figured, was to write to Santa. He has dozens of e-mail addresses on the Web and, considering the weather at the north pole just now, e-mail seemed a more sensible form of communication than post.

I chose to contact the man up north via a site run by the big American toy store chain Toys R Us. If anyone had clout with Santa, I thought, it would be them. I may have been too ambitious in asking for a Jeep Cherokee, plus a parking space. But I was disappointed at the response a few hours later.

Santa complimented me on eating my vegetables during the year, then explained that he could only bring whatever he could get on his sleigh. With hundreds of millions of gifts to deliver in a single night, I would not be getting a Jeep.

So I turned my attention to more adult Christmas pursuits. I was delighted to discover I could download free tree ornaments, and printed up a bunch of green and red ones on my colour printer. They came with assembly instructions and look promising, though I haven't quite figured out how to put them together.

Forget crawling through the snow. On the Net, you can sing along with Bing Crosby, the words scrolling in front of you. One fellow cybercaroler has even created a Web site suggesting more politically sensitive names for old Christmas tunes. One new title ought to catch on: *The Vertically Challenged Adolescent Percussionist* is certainly preferable to *The Little Drummer Boy*.

Sending cards over the Net is a breeze. Just fill in the cc area and hit all your friends and relatives with a single click. Some of my favourite Net cards were by a company called Greets. I chose a picture of two computer hackers saying: "I don't believe it. We've tapped into Santa's computer... How much and where do we want it delivered?"

Shopping on the Net may be limited, but there are advantages: America Online offers advice from "gift experts" on what to buy for loved ones. I think AOL's taste leaves something to be desired, though. They

thought a green felt hat with a golf ball and flag glued on top would make an excellent present for a golf lover. Instead, I ordered some poinsettias from the 1-800-Flowers Web site.

Christmas wouldn't be Christmas without good will, and surfers can find plenty of worthy causes to support. Just tap into pages like *The True Meaning of Christmas* to find out how to give to the National Lung Foundation and Toys 4 Toys.

It was not until I stumbled on the Twelve Days of Christmas site that I experienced a true multimedia experience, complete with buried information and links. Granted, the themes were sometimes only loosely connected. By clicking on Partridge, for instance, I got sent to the Partridge Family page. (Remember the 1970s musical television family?)

Information is the real advantage of the Net, they say, and Christmas sites are no exception. Via the Web, I found out how to say "Merry Christmas" in 33 languages, and learned that Santa Claus is called *Dun Che Lao Ren* in Chinese.

I discovered that Iranian Christians light bonfires, while Christians in India decorate their houses with mango leaves. I plan to stay well away from Czech Web sites, however, where Saint Nick apparently descends on the world accompanied by a whip-wielding devil.

As Christmas day nears, I am starting to browse cookware retailer William Sonoma's site for ideas. And I ought to e-mail some invitations to friends to join me at my Christmas table. But why bother? I have just spotted a site that will host a virtual Christmas celebration on December 25, and there will be no washing-up to do.

### Cyber sightings

● The winners of this year's US National Information Infrastructure awards were announced last week. Details of the top sites, and some of the runners-up, can be found at [www.gift.com](http://www.gift.com) with a message

from vice-president Al Gore. ● The Salzburg-based Center for International Legal Studies has a simple but effective site ([www2.tel.com.int/tele](http://www2.tel.com.int/tele)) with a range of content and details, including internships and fellowships, and a very useful International Legal Resources Directory. ● I suppose it had to come... [www.cancel-it.com](http://www.cancel-it.com) is an online cancellation service which allows you to unsubscribe from services that you may have signed

up for in a moment of haste - the Sheep of the Month club, for example. ● AGF is one of Canada's largest mutual funds companies. Its site ([www.agf.com](http://www.agf.com)) is well designed and includes a regional events listing for mutual fund investors. The investment calculator shows how an investment in any of its funds would have performed during a specific period. ● The London International direct marketing fair

takes place next March. Advance information can be found at [www.directmarketingfair.co.uk](http://www.directmarketingfair.co.uk) which also has details of the pan-Pacific direct marketing symposium and exhibition. [stevie.mcquinn@bt.com](mailto:stevie.mcquinn@bt.com)

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### BUSINESS TRAVEL

#### Travel News • Roger Bray

##### Cold war chills

Shivers from the cold war continue to affect business flights to the former Soviet Union. For example, pilots making for obscure airports still have to pick up navigators en route in St Petersburg or Moscow.

The main reason is that many airports were subject to military secrecy, and the relevant charts are not yet available. Of about 1,000 airports, only about 73 have published approach charts. Even if more were available, says Captain Matti Sillmies of Helsinki-based Euro-Flite, they are written in Cyrillic.

The company's business jets are equipped with satellite navigation systems. But navigators could be crucial if planes were forced to divert in emergency.

Alternative airfields are few and far between, and with few airport staff or controllers speaking anything but Russian, it is useful to have a translator on board.

##### Bangkok ban

Don't drop litter in Bangkok. With an eye, perhaps, on chewing-gum-free

Singapore, the Thai capital's administration has declared war on litterbugs. From this week they face fines of up to 10,000 baht (247). People dropping rubbish previously faced a maximum penalty of about 250. But the authorities were concerned that fines were not always enforced.

##### Fly with a friend

Low-cost UK airline Debonair is offering mid-winter passengers the chance to take a companion, partner or friend anywhere on its network for a flat return fare of £50. The deal is available to customers buying tickets in Britain, or

in any of the European countries it operates in.

##### Madras facelift

The Comensara Hotel in Madras was once a town house of the nabobs of Wallajah. It was converted into a hotel by Spencer & Co, which supplied the British Raj with everything from floor polish to cooks. Now the Taj Hotels group has refurbished it, including giving the ballroom and business centre a facelift.

##### Made in heaven

Airline codesharing agreements come as thick

and fast as wedding announcements. Latest to pop the bubbly include United Airlines, which has struck deals with Air New Zealand and Mexicana; and British Midland, which is linking with Gulf Air.

United's arrangement with Mexicana, due to come into force next May if Washington approves, promises improved connections between the US and Mexico. The Air New Zealand tie-up, scheduled for March, will do much the same on routes Down Under.

##### Peace dividend

A vivid snapshot of the

impact sustained peace would have on travel to the Middle East comes in a report by hotel experts Pannell Kerr Forster Associates.

Last year hoteliers in Jordan saw average achieved room rates - the prices paid rather than those published - rise by about 8 per cent in US dollars terms. And occupancy levels were markedly higher.

Stuart May, the consultancy's chief executive, says: "We don't know yet how they have fared this year but it seems logical that recent disturbances in Israel will have set them back."

#### Likely weather in the leading business centres

City	Mon	Tue	Wed	Thu	Fri
Hong Kong	20	21	19	18	18
London	5	6	7	8	9
Frankfurt	2	3	3	2	1
New York	5	6	7	8	9
L. Angeles	19	19	20	20	19
Sydney	5	6	7	8	9
Paris	3	3	3	2	4
Tokyo	5	6	7	8	9

BEIRUT DAMASCUS *Amman* 0345 320100

#### Executives on the road need to take more care than they think, says Scheherazade Daneshkhu

**D**r Richard Dawood likes to tell a story of the doctors at a medical conference in Acapulco, Mexico, to illustrate the dangers of business travel. "Because they did not think of themselves as at work, they got very badly sunburnt during the few hours they had off," says Dawood, who is medical director of the Fleet Street Clinic, a new travel clinic close to the City of London, and editor of a book on travellers' health.

Like many of the City's jetsetting high-fliers - bankers, financiers and solicitors - the doctors had not planned properly for their business trip. "People try and cram too much into a trip because of the pressures of time," says Dawood.

He believes that unnecessary illnesses and discomfort can be avoided by paying more attention to healthcare, and finds it a paradox

## Healthy interest

that many of the City's high-fliers miss out on basic healthcare because their time is at a premium.

"They tend to live far out, and to leave home early and work late. They usually have a family and a local general practitioner but they are loath to go to their GP because it will probably mean taking the whole morning off."

A bit of preparation and attention to the dangers of travel can save a lot of trouble - and eventually time - if illness is avoided.

Without wanting to panic people, Dawood says the dangers of business travel are very real, and underestimated by many people. But knowing about the risks - and what to do if something occurs - can eliminate the

dangers, or at least reduce some of the worry.

When I spoke to him, Dawood had just finished tending to a woman business traveller bitten by a cat in Thailand and fearful of having caught rabies. "If she had had an anti-rabies injection it would have removed a set of events that have to be dealt with later, such as worry and getting expert opinion."

He also tells of a businessman who recently died from hepatitis A - most commonly acquired by taking contaminated water or food - after travelling in Russia.

Malaria is the most serious infection hazard. It can be particularly dangerous because its early symptoms can be mistaken for 'flu and

sufferers can decline rapidly. Dawood says that getting the right advice before travelling does not always mean taking medicine or vaccinations - in fact, it can save people from taking unnecessary precautions.

For example, travellers may not need to take anti-malaria pills in a country designated as a malaria zone if the part of the country they visit is known to be risk-free.

The risk of HIV and other sexually transmitted diseases is also high, judging by the number of new HIV cases in the UK, the majority of which, Dawood says, are acquired abroad through heterosexual activity.

But even minor illness such as a stomach upset can ruin a business trip. "It's

easy to say 'Does a stomach upset matter?'" says Dawood. "But if the objective is to negotiate a deal, a trip that justifies a face-to-face meeting does require you to be in good shape physically."

Nor is it enough to assume that because you are insulated in the best hotel in town, the food will be safe. "The flies on your food don't know how much you have paid for it," says Dawood.

"People do get a false sense of security when they are staying at such places, but you need to be in charge of your conditions."

His advice is to avoid uncooked foods, particularly salads and fruits without a hard skin. "People think they are being healthy in ordering a salad but a plate

of chips and a glass of Coke without ice (rather than tap water) would be much healthier in countries without a clean water supply."

Fruits such as strawberries and grapes are difficult to sterilise and should be avoided. It is safer to slice open fruits with a firm skin, such as papayas, and to eat the inside, which has not been handled.

The hotel buffet, however tempting, should also be avoided because food can become contaminated after standing around for many hours in a warm temperature. It is better to get a meal cooked to order.

But try not to become paranoid. Dawood says travellers should apply a risk reduction strategy relative to the importance of their trip.

*Travellers' Health: How to Stay Healthy Abroad, Dr Richard Dawood, OUP, £7.99.*



This won't hurt a bit: Dr Richard Dawood at his clinic

**E**urostar resumed its high-speed train services through the Channel tunnel between the UK and France last Wednesday following the fire which led to the suspension of all services three weeks ago. Scheherazade Daneshkhu writes.

The temporary schedules provide 13 trains a day to Paris and seven to Brussels instead of the 14 and eight, respectively, which the company usually runs.

Eurostar says advance bookings while services were

## Eurostar gets back on track

suspended had been low but early indications were that customers would stay loyal. "We are expecting a busy Christmas," it says.

However, Alan Spence, managing director of Surrey-based Britanic Travel, a business travel agent, says few customers were ringing up to book on Eurostar,

although he rules out fear as a factor. "A lot of people who were due to travel booked on to flights and do not now want to change back because they have scheduled meetings around their arrival time," he says. "We do not think business travellers will have been put off by the fire and expect demand to come back

again in the New Year."

James Myles, London-based managing director of Protravel, a French business travel agent, says that business to Paris was very busy last week following an unusually quiet period in mid-November.

"The market was very unsettled then - people could not get

on Eurostar, the planes were full, there was fear of Air France going on all-out strike and truck drivers were on strike. So a lot of travellers thought they would wait until things were more stable and those that could, shelved appointments."

Demand has been buoyant since the resumption of Eurostar

services and he doubts that the train's popularity, particularly with regular travellers to Paris, will have been dented. "A lot of people are not prepared to switch from Eurostar to the airlines, particularly regular commuters to Paris who do not want the hassle of going to Heathrow airport unless it is geographi-

cally more convenient for them to do so," he says.

American Express says bookings for Eurostar resumed as soon as the service restarted last week and were at 80 per cent of their usual volume through its business travel centre in the City of London.

However, it warns travellers that their journey could take longer than usual and is recommending adding half-an-hour to the Paris journey time and 45 minutes for Brussels.

The perfect millennium project

ARTS GUIDE

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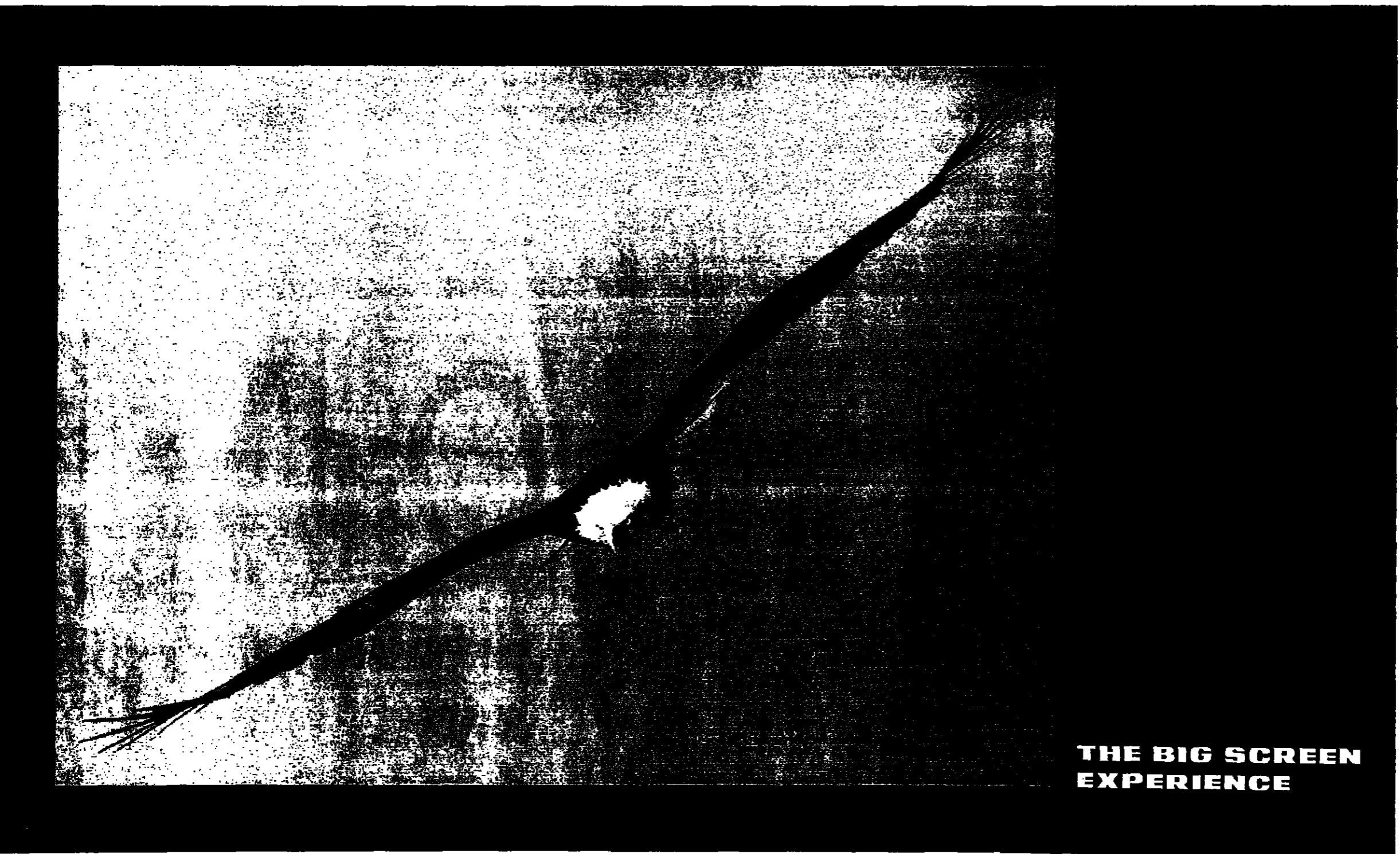
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ARTS

OPENINGS

EDINBURGH Masterpieces from one of the world's great private collections of portrait miniatures go on display on Thursday at the Scottish National Portrait Gallery.

NEW YORK The Duke Ellington and Billy Strayhorn arrangement of Tchaikovsky's seasonal ballet, The Harlem Nutcracker, will be staged with new choreography by Donald Byrd at the Brooklyn Academy of Music Opera House on Wednesday.

LONDON Jonathan Miller returns to directing theatre in London this week, with the premiere on Wednesday of his new staging of A Midsummer Night's Dream at the Almeida Theatre.

BERLIN Lohengrin is the latest in a series of high-profile Wagner productions conducted by Daniel Barenboim (below) and staged by Harry Kupfer at the Staatsoper unter den Linden.

WOLFSBURG An exhibition devoted to 17 young British artists - including the winner of the 1996 Turner Prize, Douglas Gordon (above) - opens at the Kunstmuseum on Saturday.

PARIS The Paris Opérettes is presenting a programme of four ballets by Balanchine to Stravinsky's Apollo, Agon, Violin Concerto and Capriccio. This is the perfect antidote to the Nutcrackers that abound throughout the world.

BASLE When the Swiss collector Ernst Vischer-War died two years ago, he bequeathed much of his estate to the public museums.

The perfect millennium project

Antony Thorncroft argues the case for national museums and galleries to benefit from the lottery

Now that the dust has settled on next year's financial settlement deal, it has become obvious that one group has suffered beyond the call of duty (or pre-election tax cuts) - the museums.

rewarding thrift, those museums that acted tough. Whatever the reason, the national museums face a future of gallery closures, staff cuts, and penny-pinching.

Removing the VAT burden would both help solve their financial problems and encourage free access. Alternatively the lottery-funded Millennium Commission could be more generous.



Neil MacGregor: a strong advocate of open access policy



Bursting with ideas: Jeffrey Segal, James Clyde and David Schneider in Schneider's 'The Eleventh Commandment'

Theatre/Ian Shuttleworth Surreal slice of Jewish humor

David Schneider steps out of his usual company - the comic fraternity of Armando Iannucci, Patrick Marber and Steve Coogan - to write and act in his first professional stage play.

leads to tussles with his mother (Sheila Steffel), who believes that such a move will, in ending the Jewish family line, constitute a Final Solution no less culpable than the Holocaust she survived.

the sofa in which Daniel (played by Schneider) and Christina consider each move as if playing a game of mechanical chess to a peripheral litany of misfortunes befalling Nicholas Ball's detective inspector.

given an impassive speech about the alluring power of a victim: in the next scene Daniel's mother sees that bid and sees it, so to speak, with an even more ardent statement. These passages are poorly integrated proceedings.

At Hampstead Ave, London NW5, until Jan 4 (0171 722 9301).

From obscenity to poetry

We are taken to the lower depths by the two characters of Jim Cartwright's short new play, the lower depths of modern British urban humanity, and we are not released from them during its 47 minutes.

Cartwright himself directs; the two roles, a man and a slag, are taken by Tim Potter and (at very short notice) Polly Hemmingsway.

us started anything." He is talking not to the slag, but to us; we never see or hear him talk to her.

What a pair. Cartwright spares us nothing, and he creates both characters from within. And he makes them lyrical. The man, who tells us in his opening sentences how he licked the slag's deodorant, progresses further: so that he takes a stripper's bra, smears it with the slag's deodorant, and then sits - for maybe a quarter of the play - wearing it on his face like goggles.

them, but ends up living with her - er the bed to which she shags some of her clients - the mattress is bough and nearly in his face. Only connect - ens above - only connect

INTERNATIONAL ARTS GUIDE

ANTWERP EXHIBITION Museum voor Schone Kunsten Tel: 32-3-2387809

BARCELONA CONCERT Palau de la Música Catalana Tel: 34-3-2681000

EXHIBITION Museu Picasso Tel: 34-3-3196310

BERLIN CONCERT Konzerthaus Tel: 49-30-203090

BRUSSELS CONCERT Palais des Beaux-Arts Tel: 32-2-5078466

DUSSELDORF EXHIBITION Kunsthalle Düsseldorf Tel: 49-211-8996240

films, and videos of her performances, drawings, and sculptures; to Dec 29

GLASGOW EXHIBITION The Burrell Collection Tel: 44-141-3311854

LONDON CONCERT Barbican Hall Tel: 44-171-6384141

LOS ANGELES EXHIBITION MOCA at California Plaza Tel: 1-213-626-8222

Bernard Haitink and pianist Andrés Schiff perform works by Mozart and Shostakovich; 7.30pm; Dec 11

OPERA London Coliseum Tel: 44-171-8360111

Royal Opera House - Covent Garden Tel: 44-171-2129234

LOS ANGELES EXHIBITION MOCA at California Plaza Tel: 1-213-626-8222

MALIBU EXHIBITION The J. Paul Getty Museum Tel: 1-310-459-7611

PARIS EXHIBITION Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00

MUNICH DANCE Prinzregententheater Tel: 49-89-4706270

NEW YORK CONCERT Alice Tully Hall Tel: 1-212-875-5050

Homeboite and François Clouet to its final flowering in the Victorian era.

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COMMENT & ANALYSIS

# Percentage football

## Clubs are eagerly awaiting pay-per-view television, says Patrick Harverson

When the chairman of the 20 football clubs in English Premier League met in London today one thing is certain to top the agenda: pay-per-view television.

Although the league's new television contract with BSkyB's introduction is still at least two years away, football bosses are becoming impatient for pay-per-view and riches it is expected to generate.

They see a future with millions of fans for £10 a game or £300 a season to watch their favourite team's fixtures, bringing huge new revenues for clubs.

The top English clubs such as Manchester United, Newcastle United and Liverpool, which compete regularly with their continental counterparts, are particularly keen to see pay-per-view introduced so because they fear losing ground to the rest of Europe's clubs in Italy and France already benefiting from pay-per-view, and clubs in Germany and Spain will reap the rewards next season.

The English clubs are also in a hurry to get their hands on the pay-per-view money because they need more funds to pay rapidly escalating wages and transfer fees. Chairman of one big club recently: "The clubs have taken the initiative soon BSkyB's waiting to do a."

So great are expectations surrounding pay-per-view that shares of football clubs have risen this year on hopes of an early launch. Since January shares in Manchester United, Tottenham Hotspur and Arsenal (two of Leeds United) have all tripled in value; Chelsea Village shares have doubled.

Some of these clubs have been driven by speculation rather than fact. Reports have suggested pay-per-view football would be ready for next season and the 20 top clubs would receive more than £1bn a year.

But the Premier League and BSkyB insist talks on introducing pay-per-view have not started. Media analysts pour water on forecasts that pay subscriptions in millions and annual revenues in billions of pounds.

Mr Bradley Chell, a fund manager at Investment Managers, which invests widely in football



High hopes: Manchester United is keen on pay-per-view

club shares, says speculation about pay-per-view has been mostly inaccurate. "Any calculations you make are full of so many assumptions that until there is a clear indication from Sky and the leading clubs about the way things are going it will be fairly meaningless."

No one disputes that pay-per-view television will make the big clubs richer. But the date of its introduction is uncertain, as is the size of the revenues in the early years.

BSkyB plans to launch digital television - the technology that will increase the channels available - next autumn, but full introduction of digital pay-per-view football will probably have to wait until August 1998. BSkyB may experiment with one-off pay-per-view games on its analogue service, probably this season.

Digital subscription growth is expected to be

slow in the first year, primarily because the expected high cost of the service may deter analogue subscribers, who will be asked to spend anything from £200 to £400 for a decoder box to receive the digital signal.

The price of the box will depend on whether BSkyB can find a partner to subsidise its initial manufacturing cost of about £500. "It's going to be a great business for BSkyB but the initial success depends on at what price they manage to produce the equipment," says Mr Guy Lammington, media analyst at S.G. Warburg.

After buying the decoder, subscribers would pay a further £300 or more to receive a season's games.

Estimates of how many viewers will take up the digital offer in the first year vary from 100,000 to 500,000. Analysts assume most subscribers will buy the service specifically to watch

Premier League football. Subscription rates in the opening year of pay-per-view football in France and Italy this season suggest the lower end of forecasts may prove more accurate. By last week only 34,000 subscribers had signed up for Italian pay-per-view football, a rate which prompted analysts to lower their expectations for the first year from between 100,000 and 150,000 to between 75,000 and 100,000.

Even using a moderately bullish estimate of 300,000 subscribers in the first year, and with each paying an average £300 per season ticket, pay-per-view income for each club would be pretty modest. Assuming the clubs follow the Italian and French policy and split pay-per-view income 50:50 with the broadcaster, the Premier League clubs would be left with £45m between them.

At a little over £2m a club, pay-per-view would add only about 20 per cent to the £2m to £10m a year each club would earn from the existing analogue deal with BSkyB.

However, it is the longer-term outlook that most excites football. Media analysts believe pay-per-view will be firmly established relatively quickly, once the price of decoder boxes comes down and the idea of paying directly for programmes has gained acceptance. At that point, the biggest clubs will be able to tap into the considerable nationwide demand for their games.

Greg Middleton, the stockbroker, has created a financial model for an analysis of Manchester United that calculates that the club's annual earnings from pay-per-view could reach £50m within three years of its introduction. If the money from existing non pay-television deals and income from European matches is added, the club could earn £70m or more from television rights in a few years' time.

That may sound implausible, but Mr David Elstein, the chief executive of Channel 5 and former head of programmes at BSkyB, says broadcasters should not underestimate consumer demand for watching football via what he calls the "celestial turnstile". He believes there is huge untapped potential in pay-per-view. "The public's willingness to spend on sport has barely been tested."

**From Mr Per Stenmarck MEP.**

Sir, Having read your editorial on postal services I would like to offer my comment on the subject ("Slow post", December 2). Like the members of the European Council, the members of the European parliament also have different views on the subject. It is remarkable that most members in the European parliament are positive towards a continuation of the monopolies operating in the postal sector in Europe.

People often accuse the British and the Swedes of

slowing down the process of European integration. The French and the Germans are in this aspect the "good guys", working hard for a single currency and other political projects. All in the name of the EU. However, when it comes to liberalisation, the roles are reversed. In the case of postal services, the French and the Germans are the ones who are lobbying the hardest for maintaining the monopolies in the sector. There is no need to remind readers that the French also have been the ones opposing deregulation

in the telecom market, railway sector and electricity market.

As you rightly point out in your editorial, the deregulation in the postal sector will not lead to mass unemployment and the decline of rural areas. In Sweden, the privately-owned postal operator, CityMail, now delivers mail in the Stockholm archipelago which is indeed a rural area. The company has also employed around 800 people, mostly young, who would have been unemployed if Sweden Post still had a monopoly on

postal services.

We can now only hope for a swift decision by the Commission to implement EU's competition legislation to cover also postal services. This would mean an end to inefficiency in state-owned postal operators and the chance for new companies to conquer the markets. New jobs will be created and the service will improve.

Per Stenmarck, transport committee, European Parliament, 97-113 Rue Belliard, 1047 Brussels, Belgium

## No sense in scrap directive

**From Mr R.G. Loram.**

Sir, Your editorial "Scrap directive" (December 5) is a thrust in the right direction but the proposed directive deserves even stronger condemnation. Here are two principal reasons:

● As you point out, more than 75 per cent of a "load of his vehicle" is already efficiently recycled and of the remainder probably some 3 per cent to 4 per cent - mainly bumpers, dashboards and interior trim - could possibly be recycled. But this would be at a considerable cost and no benefit to the environment because of the amount of transport involved. The remainder, textiles, plastic foam, rubber and other plastics are virtually unrecoverable.

● Car bodies are processed through very large metal shredders which also dispose of old cookers, fridges and washing machines and recover the metal from them. These white goods have an even larger proportion of non-metallic parts and one effect of the landfill tax has been to cause shredder operators to lower the price they will pay for scrap metal and even threaten not to accept white goods.

This proposed directive - like the equally ill-thought-out packaging waste directive - has two parents. Its father is the German electoral system which gives the Green party enough seats in the Bundestag to threaten to upset the balance of coalitions. Its mother is the fact that the European Commission, having formulated all the sensible directives, has now run out of things to do and has resorted to formulating some nonsensical ones. The UK government should not sign up to this directive.

R.G. Loram, 11 Priory Road, West Kirby, Wirral, Merseyside L48 7ET, UK

## No option but to provide aid in Zaire

**From Ms Emma Bonino.**

Sir, I have read with interest Michela Wrang's article criticising the role of humanitarian aid. Echo (European Community Humanitarian Office).

Let me say from the outset that I am not joining in any breast-beating about the way we have allocated our funding. Saving lives and alleviating human suffering is a universal value itself and is never a worthless exercise.

On the other hand, humanitarian aid can never, ever, be a substitute for political or military solutions to complex crises. As far as the Great Lakes crisis is concerned, the humanitarian community has unashamedly tried to draw the attention of the international community to the absolute need for a political settlement to defuse the conflict.

It is not the job of humanitarian organisations, admin-

istering aid to the needy, to double up as military strategists, or to sort out who's a genocidal killer and who is a "real" refugee. Killers must be brought to justice; we have said this over and over again for more than two years. But I do not see what the alternative to providing aid could have been in the refugee camps of east Zaire. Non-governmental organisations and agencies did not create the needs there, they just did what they had to do. Should we have abandoned the refugees to their fate? And if so, when?

Humanitarian aid operations have certainly expanded dramatically recently. But it is too simplistic to say that aid agencies have cynically abandoned development for more glamorous emergency work for which money flows more freely. The fact is, crises involving conflict in which development is crushed and civilians are the main victims have proliferated. We have simply helped to feed people in need, while the world's indifference continues to feed crises. Emergency aid replaces development in places (such as

Somalia and Liberia) where development policies are no longer possible.

We should all try and learn the lessons of ongoing crises in the Great Lakes and elsewhere amid this modern butchery of people, principles and international conventions. Are politicians and diplomats learning their lessons too? We are right to be concerned about civilians whose plight we could not witness because access to them was denied in a massive violation of human rights. They are pawns in a war between totally unaccountable forces.

I am still convinced that a multinational force is absolutely essential to oblige warring factions to give access to those people, however many or few they may be, however many or few square miles we are talking about. If that sounds strident, so be it.

Emma Bonino, European Commissioner in charge of Humanitarian Affairs, European Commission, Rue de la Loi 200, B-1049 Brussels, Belgium



## SRRY, NOWHERE JUST CASED TO EXIST.

It doesn't really matter whether you work in the remotest regions on earth, sail across oceans or just climb mountains for fun. There are going to be times when you need to get in touch. And in the middle of nowhere, that isn't easy.

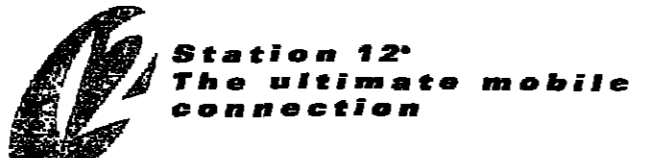
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## Nothing lasts forever

**It is wrong to rely on rising share prices, argues Tony Jackson**

The scene: a wine bar in the City of London where a group of stockbrokers is having a general pre-Christmas lunch. The talk, as usual, is of the market. There is too much money around, one broker says; shares are heading for a fall. His neighbour, as if to prove the point, is passing round photographs of his new sports car and yacht.

The brokers do not let this spoil their lunch. After all, they have been here before. The market is prone to occasional setbacks: some of them, as in 1987, quite alarming. But they all prove interludes. In the long run, the market always carries on.

Or does it? Though the bull market sometimes seems a fact of life, it actually dates back only to 1982. In those 14 years, it has had profound effects on the thinking of corporations and the agencies which serve them. When share prices stop rising, as eventually they must, some of that thinking will have to change.

Consider how much managerial behaviour is posited on a rising market. If shares had been flat or falling for the past 14 years, as they were for the previous 14, would corporations still put the same stress on shareholder value? Would they still reward so many workers with stock? When cutting jobs, would they still target the over-50s, who can be paid off from the swollen coffers of the pension fund?

To say the fact years must come to an end is not a market judgment, but a logical inference. Since 1982 Wall Street - the engine for most other equity markets round the world - has seen the Dow Jones index go from 1,000 to 6,500. The bulls predict 10,000, and for all one knows, they could be right.

In the long run, though, share prices can scarcely rise faster than corporate earnings, on which they are based. In turn, it is hard to see how earnings can rise faster than the economy indefinitely. If they did, the owners of capital would end up crowding out workers and customers and taking the whole economic pie.

Since 1982, the Dow has risen at just four times the rate of the US economy. This need not mean the market is overpriced. One could argue that in 1982, after 17 years of real decline, US equities were seriously undervalued.

The point is rather that the market's rate of climb in the past 14 years has been an anomaly. Despite that, it has come to represent business as usual for a generation of management.

In the US and UK especially, a company's share price has come to represent one of its most crucial assets. Besides its effect on the corporation as a whole, it has the most intimate relevance for top executives. Through the granting of share options it represents their best chance to become multi-millionaires.

Increasingly, too, companies reward line managers with shares as a means of spurring them to greater efforts. This only works if the stock is an appreciating currency. In a falling market, it is of limited comfort to a manager that thanks to his hard work, his shares are falling by less than the average.

Most fundamentally, the bull market has encouraged managers in the belief that their primary function is to produce value for shareholders. Doubtless, the idea has independent validity. But it plainly has more appeal at a time when the market is delivering value automatically, rather than subtracting it despite managers' best efforts to the contrary.

Given all this, it is scarcely surprising that the past 14 years have seen an explosion of services designed to support and feed off the share price.

The rest of the planet, it might seem impossible that an indifferent analyst or dealmaker could be worth that kind of money. In the long run, so it is. MBA graduates from the US business schools still put down investment banking as one of their favourite options. It might pay them to consider, as they fill in their application forms, how long the good times can roll.

## Santer out of touch with opinion in the UK

**From Mr Keith E.A. Lord.**

Sir, In characteristically out of touch fashion, Jacques Santer, president of the European Commission, announces that the City and the Confederation of British Industry will force the government's hand and with it the UK into Emu ("Irresistible" pressure on UK over Emu", December 2).

If the City is so in favour, why, after a packed recent debate at the Stock Exchange, did members of the Securities Institute vote against the UK's entry?

And sorry Jacques, when it comes to the captains of industry, my understanding

## A crisis also

**From Mr Paul Cohn.**

Sir, Reading "The only country that gets it right" (November 30) by James Morgan made me laugh.

Holland (or The Netherlands) is stone cold, traffic jams are a daily nuisance, local and country government officials make work and private life a misery most of the time, environmental regulations are often ridiculous and Ajax is in a crisis without a win in six games.

How bad the other countries must be!

Paul Cohn, 3400 AA Uselstein (U.), Postbus 38, The Netherlands

## Santer out of touch with opinion in the UK

is that it is present policy to express no official opinion one way or the other.

Could it be that practitioners are able to see through the tawdry political fudge and mudge destined to end in tears for the "euro"? Or is it that informed industry and City opinion is at one with the country's mood, so often lambasted by Emu protagonists for being knee-jerk and uninformed?

Keith E.A. Lord, 12 Lowerfold Drive, Healey, Rochdale, Lancashire OL12 7JA, UK

FINANCIAL TIMES

Street's

ance

The Tories' at chance

The FT Interview • Alain Juppé

France's shock absorber

The embattled French premier tells David Buchan, Andrew Gowers and Quentin Peel of his plans for economic recovery



the deficit down. However, he is confident of being able to do that, even accelerating tax cuts in 1998 if growth is strong enough.

Germany is suspicious of anything smacking of political interference with the ECB. But Mr Juppé says he wants to see, at the European level, the sort of regular political dialogue between government and central bank that exists in Germany as well as in France and the UK.

France's "problem is that in the actual mechanism of Maastricht we do not see how the dialogue between the political power and the central bank will be organised. The central bank cannot decide everything solo, applying a set of figures. There needs to be an interlocutor, a political power, the government leaders of the euro-zone who would meet periodically to fix broad lines of economic policy, dialogue with the central bank and give their opinion."

He claims the only legitimate question "is what will we do in the following year [1998] to find an equivalent receipt" to keep

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday December 9 1996

Wall Street's insouciance

A sign of a frothy market is, perhaps, a tendency to over-react to passing comments by central bankers. But a sign of a seriously overheated one is a willingness to brush such warnings aside.

On this basis, last Friday's market reaction to the remarks the evening before by Mr Alan Greenspan, chairman of the Federal Reserve, offers a cautionary lesson. Asian and European markets reacted strongly to his comments; the US, at which they were directly aimed, budged scarcely at all.

Most European share price indices fell by more than 2 per cent on Friday - Germany's DAX fell by more than 4 per cent. Asian markets were similarly affected. But the Dow Jones Industrial Average fell by 0.56 per cent and the S&P 500, the yardstick of US blue chips, dropped by only 0.64 per cent.

Does this mean that, while other equity markets are merely frothy, Wall Street has passed beyond that into the empyrean self-confidence of a true market top? It depends on whether Mr Greenspan's warnings deserve to be taken as seriously as the rest of the world's investors appear to believe.

His comments can be boiled down to three points. First, the monetary aggregates, which in recent years have proved an unreliable guide to the pressures in the economy, may now be regaining their predictive power.

Second, the prudent central banker watches asset price inflation as well as rises in the day to day cost of living. And third, the Fed would be unperturbed by a financial crash, like that of 1929, which had no impact on the real economy.

Money supply All three statements could be taken as harbingers of a rise in interest rates. The first suggests that if the money supply is seen, once again, as a relevant indicator, its recent above-target growth will strengthen arguments for a rise in rates.

The second argument, explicitly based on Japanese experience, suggests that an economy

may be overheating, in some fundamental sense, even if the normal consumer price indices are well under control. Mr Greenspan is serving notice that if "irrational exuberance" is indeed pushing up asset values unduly, the Fed would be prepared to act. That would almost inevitably mean tighter money - and, as Mr Greenspan's third point indicates, the Fed would be relaxed about any sharp market correction that resulted.

The different reactions of investors in the US and abroad to this possibility reflects the differing moods of the two groups. International investors have viewed US equities as seriously overpriced for years, stepping back into the market only grudgingly in recent months.

Summer setback US investors have, if anything, gained confidence in the fundamental value of their market after it has shrugged off the early summer's setback in high-tech stocks. They have also remained unconcerned by the likelihood that US interest rates will rise sooner rather than later. Indeed, in late summer the equity market recovered its poise even though a rise in rates then appeared almost certain.

Does the re-emergence of this possibility threaten the current level of US stock and bond markets? Wall Street bulls can - and do - put forward many reasons for remaining confident, even in the face of a precautionary rise in short-term rates.

Perhaps this lack of concern is itself the biggest reason to worry. The bears of early summer have been put to flight; confidence, even complacency, reigns. Probably Mr Greenspan's warnings are no more than a statement of central banking prudence. Probably they indicate no more than the medium-term rise in interest rates the market is already discounting. Probably the US market's judgment was right last Friday. And yet, and yet... No one wishes for a panic. But it might have been perversely reassuring if the markets had shown a little less insouciance.

When I don't change the decisions I've announced, I'm accused of being arrogant and stubborn. When I modify them to take account of people's reactions then I'm charged with retreating. Either way I'm criticised.

But what about his unpopularity in the polls? "I don't know. Everyone I see is very nice and polite... I don't feel rejected, the mail I get encourages me. So I end up wondering whether the polls really reflect the reality."

Accurate or not, the polls have undoubtedly encouraged critics within his own political camp, comprising the Gaullist RPR and the centre-right UDF federation.

"Some have called for my replacement, but always from the wings, never from the rostrum [of the National Assembly]," admits Mr Juppé. "We had a period of some tension, some agitation, a few weeks ago. But things have got back into order."

"The [government] majority has never failed me on, for instance, the budgets or the laws on social security and creation of [private] pension funds."

Moreover, he insists, government economic policy commands wide support. "There is among the experts quasi-unanimity that [our] economic policy, the mix of budgetary and monetary policy in France, is the right one, regardless of Maastricht. Apart from the far left or far right, I don't hear anyone say we should increase the deficit and the debt by increasing public spending."

Look at the benefits, he says: "inflation has been mastered, foreign trade is recording remarkable surpluses, the franc is stable, interest rates have come

down faster than they have ever done in so short a time. We are at the same level as Germany even on long-term rates where there has traditionally been a sort of risk premium in France's disfavour."

He is now pursuing two new tracks. One is to simplify and decentralise job creation schemes so that company bosses can understand, use them and adapt them to local circumstances.

Local mayors should see a self-interest in such initiatives, he says, "because a mayor who succeeds in placing the young in jobs can be assured of re-election". He should know, for Mr Juppé not only hopes to hang on to his job as prime minister he will be seeking re-election as mayor of Bordeaux in 2000.

The other track is to encourage a more flexible labour market. The prime minister knows this is a minefield in France where even debating the issue is "sometimes a bit explosive". But he says: "We have got to reflect on this simple question posed by many company heads. They say we have work, we could hire more young people, but we don't do it because it costs too much, is too complicated and constraining."

The Tories' last chance

Mr John Major's attempts to rebuild the authority of his administration have become a recurring theme of his premiership. During the past few years, his repeated calls for unity have earned Mr Major only the briefest of respites in the Conservative civil war over Europe.

So in one respect, the prime minister's lengthy interview with Mr John Humphrys on BBC television yesterday was simply part of a familiar pattern. The initial, dismissive reaction of his party's Eurosceptics suggests that its impact may turn out to be as short-lived as that of its many precursors.

But this time it is different. If Conservative MPs retain any residual hopes of making a contest of the forthcoming general election they will raise it. In election they will raise it. In election they will raise it.

The circumstances are different because the election is now at most five months off. It may come sooner than that. The loss of the government's majority in the House of Commons means that the prime minister can no longer be sure of holding on until early May. Mr Blair is unlikely to force an immediate confidence vote, but the government cannot be certain of the support of the Ulster Unionists.

Bitterly divided Even if Sir John Gort, the disenchanted Tory MP who withdrew his support last week, were to return to the fold, pending by-elections will ensure the government remains in a minority. And, for as long as the party is so bitterly divided over Europe, it will continue to face a succession of humiliations on other issues. Without the habit of discipline on the backbenches each stumble at Westminster will escalate into a crisis.

During the storms of the past week, Mr Major's Eurosceptic critics have made two demands:

OBSERVER

Full time for Havelange

The top job in international soccer comes up for grabs only rarely. So there was much stirring in the sport's upper echelons after José Havelange said he planned to resign in 1998.

Despite criticism of his autocratic style, Havelange led football into the commercial age, attracting multinational sponsors, and won the backing of developing nations by allowing more of them into the World Cup finals. The 50-year-old Brazilian millionaire may also have picked a canny moment to blow the final whistle.

His chief critic and rival, Lennart Johansson, president of European football union Uefa, last month annulled his copybook with allegedly racist comments in a Swedish newspaper. Johansson has long criticised Havelange for selling television rights for the World Cup too cheaply - at one point they were fetching seven times less than rights to the Olympic Games - and for his secrecy. Few people know quite how much money FIFA has, or what it does with it. But with nearly 200 million members, the World

Options open

William Brodsky, long-time president at the Chicago Mercantile Exchange, is moving across town to take the chair of the Chicago Board Options Exchange, the world's largest equity derivatives market.

Going from number two at the CME to the top post at the options exchange should be a refreshing change for Brodsky, a 52-year-old lawyer who worked at New York's American Stock Exchange before arriving in Chicago. For most of his 14-year tenure at the CME, he played second fiddle to two strong bosses - first Leo Melamed and now John "Jack" Sandner, the CME's current chairman.

Brodsky is also moving at an opportune time. Equity derivatives, the CBOE's speciality, are reckoned to be the

A right turn

Bob Lutz, one of the US auto industry's most colourful figures, is stepping down as number two to Chrysler chairman Bob Eaton. But although he hits 65 next February - Chrysler's "mandatory retirement age" - the former US Marine pilot seems to be as unwilling to give up car-making as he has been to give up his flying. While Lutz is handing over the president's title to Eaton, in exchange he becomes a vice-chairman and will remain involved in product development for up to two years.

The son of a Swiss banker, Lutz worked at General Motors, BMW and Ford before being hired to Chrysler in the mid-1980s by Lee Iacocca, the most famous Ford defector of all. Although he was passed over for the top job when Eaton was hired from GM, Lutz restrained his famously abrasive nature and bent himself to the number two job. The partnership with

Eaton turned out to be one of the most successful management double-acts of the mid-1990s, a period when Chrysler has outshone most of its US and international competitors.

Acid wit

Torrential rain reminded delegates at this weekend's hemispheric summit on sustainable development in Santa Cruz, Bolivia, that man is still at the mercy of the elements. The tropical downpour almost washed away the gathering and caused long delays to the flight bringing US vice-president Al Gore, who was due to make the keynote inaugural speech.

It was left to the host, Bolivian president Gonzalo Sanchez de Lozada - known for his dry wit in a region where humour is a rare among heads of state - to turn a potential disaster into a timely warning. Declaring the summit open he remarked: "Let us just thank God that the cause of our problems today isn't acid rain."

100 years ago Socialism in New Zealand in New Zealand matters political, financial and commercial are becoming even livelier than usual, which is saying a great deal. After having come out of a banking scandal by means of committees amply supplied with whitewash, the Colon is indulging in the luxury of a General Election, the issue of which will be pregnant with significance. The present Government has been discredited in many ways, not only on account of its Socialist proclivities, but also through a number of glaring commercial and financial scandals.

50 years ago World Bank Changes Mr. Eugene Meyer's resignation from the presidency of the World Bank is most surprising. It is only six months since he gave up his position as publisher of the Washington Post in order to take over this task. Whatever criticisms of Mr. Meyer's tenure of office may be advanced by gentlemen of Washington who have never made a dollar beyond the party salaries paid them by vast institutions, he has a rare combination of banking and industrial experience which the World Bank ought to regret losing.

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EU demand threatens world trade deal on IT

By Guy de Jonquieres, James Kyne and Frances Williams in Singapore

Efforts to conclude a World Trade Organisation agreement to free trade in information technology (IT) products were thrown into doubt yesterday...

and poor countries. The most contentious points include the links between trade, labour standards, foreign direct investment and competition policy...

Search for common ground Page 6

Serbian opposition vows to widen its protests

By Laura Silber in Belgrade

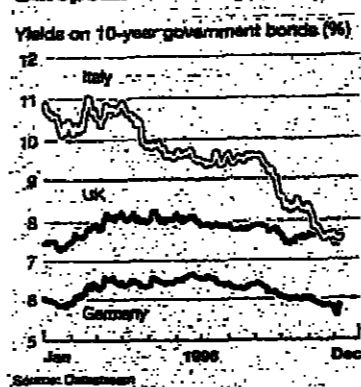
Serbian opposition leaders yesterday vowed to broaden their protests against President Slobodan Milosevic as the country's supreme court seemed likely to reject an appeal to reinstate opposition municipal election victories in several cities...

THE LEX COLUMN

Rushed money

Today is the fifth anniversary of the Maastricht summit which launched Europe on the path of monetary union. But as Europe's leaders prepare for this week's Dublin summit, argument still rages over Emu's merits...

European bonds



achieving structural reform were adopted, that need not be so.

Britain's opt-out

Where does this leave the UK? If Emu is being rushed, surely it should exercise its right to opt out? It could then avoid a messy start, and opt in, if and when things were cleaned up...

Why then is everybody, especially Germany, so concerned about budgets? Because they fear excessive borrowing will push up inflation and interest rates...

Premature project

Such benefits, of course, are not cost-free. The price is a one-size-fits-all monetary policy. Under Emu, nations will no longer be able to use interest and exchange rates to manage the ups and downs of the business cycle...

Unfortunately, current plans for a so-called stability pact to restrict budget deficits post-Emu are not just redundant. They could actually make matters worse...

It would be far better to postpone Emu by five to 10 years and use the intervening period to make the necessary labour and industrial reforms...

Britain will reject 'phoney' IRA ceasefire, says Major

By John Kampner in London

Britain will not accept a "phoney ceasefire" from the IRA, Mr John Major said yesterday on the eve of Anglo-Irish talks seen as a last attempt to breathe life into the search for progress in Northern Ireland before the British general election...

Irish counterpart. Mr John Bruton, is unlikely to do more than paper over the cracks in the peace process.

"We are not in a row situation," said an Irish official, "but there's not much goodwill at the moment."

British and Irish security forces believe the chances of a terrorist "spectacular" on the British mainland or in Ulster in the pre-Christmas period

are greater than the prospects of a ceasefire declaration.

Mr Major, speaking on BBC television's On the Record programme, said he would rely on intelligence reports to ascertain whether the IRA had followed up any ceasefire declaration by stopping targeting of potential victims...

He sought to counter accusations by nationalists in Belfast and Dublin that the UK had no intention of ever letting Sinn Fein into multi-party negotiations.

US stocks due for nervous start today

Continued from Page 1

in which he asked: "How do we know when irrational exuberance has unduly escalated asset values, which then become subject to unexpected and prolonged contradictions?"

Given low inflation and signs that US corporate earnings will continue to grow next year - albeit more slowly than this year - Mr Jeffrey Applegate, chief investment strategist at Lehman Brothers, does not see shares as wildly overvalued.

US market could give up 2 to 3 per cent by the end of the year.

However, Mr Laszlo Birinyi, president of Birinyi Associates, a US equity research firm, said it may have been a good thing to inject some realism into what had become a rosy scenario for the markets since elections last month.

"The laws of gravity still hold, and so do the laws of the market," he said.

Yesterday Mr Robert Rubin, US treasury secretary, said that Mr Greenspan was simply seeking to "widen the intellec-

tual debate... about the level of the market", not offering his own opinion about appropriate valuations.

Mr John Lipsky, chief economist at Salomon Brothers, suggested that Mr Greenspan's words carried special importance in Japan where the government's shift in monetary policy was triggered by a "bubble" in the financial markets.

He added, however, he believed the Fed chairman was signalling just the opposite: that Fed policy would not be driven by the financial markets.

Western governments have denounced the annullment of the elections. The European Union postponed indefinitely preferential trade status for Serbia, Yugoslavia, and the US has put on hold any moves to renew full diplomatic relations.

So far Mr Milosevic has offered no public reaction to the demonstrations. Last week he granted one concession, reopening two out of three independent radio stations which had been banned.

FT WEATHER GUIDE
Europe today
High pressure over the Baltic means most of mainland Europe will be settled. Most areas will have mist with some dense fog in places...
Five-day forecast
Most of Europe will continue misty. The low pressure in the Mediterranean will slowly move east, bringing heavy rain to Italy. It will remain cool with some frost at night.

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